



Greenville Convention Center Feasibility Study

Submitted to:

City of Greenville
Greenville County
VisitGreenvilleSC

February 21, 2016



February 21, 2016

City of Greenville
Julie Horton, APR
Innovate Building,
148 River Street, Suite 222
Greenville, SC 29601

Dear Ms. Horton,

The City of Greenville, South Carolina, in partnership with Greenville County and the VisitGreenvilleSC, (Client or City) engaged the Hunden Strategic Partners team, including HKS Architects (the HSP Team), to perform a market and feasibility study of a new downtown convention center. The attached is a draft of our report.

This deliverable has been prepared under the following general assumptions and limiting conditions:

- The findings presented herein reflect analysis of primary and secondary sources of information that are assumed to be correct. HSP utilized sources deemed to be reliable, but cannot guarantee their accuracy.
- No responsibility is taken for changes in market conditions after the date of this report and no obligation is assumed to revise this report to reflect events or conditions occurring after the date of this report.
- HSP has no control over construction costs or timing of construction and opening.
- Macroeconomic events affecting travel and the economy cannot be predicted and may impact the development and performance of the project.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

Hunden Strategic Partners

CC: John Castile
Nancy Whitworth
Mary Douglas Hirsch
Joe Kernell
Chris Stone

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ABOUT HUNDEN STRATEGIC PARTNERS

Hunden Strategic Partners is a full service real estate development advisory practice specializing in destination assets. The firm provides a variety of services for all stages of destination development in the following primary areas:

- Real estate market and financial feasibility and financial consulting
- Owner's representation and operating consulting
- Strategy and master planning
- Public incentive analysis
- Economic, fiscal and employment impact analysis (cost/benefit)
- Economic and tourism policy/legislation consulting
- Organizational development
- Research and statistical analysis
- Developer solicitation and selection; Private management company solicitation and selection

Hunden Strategic Partners professionals have provided all of the above services for hundreds of client projects worldwide for the public, non-profit and private sectors. In addition, our professionals have prior professional career experience in municipal and state government, economic and real estate development, hotel operations and non-profit management. Over 80 percent of our clients are public entities, such as municipalities, counties, states, convention bureaus, authorities and other quasi-government entities empowered to conduct real estate, economic development and tourism activities.

EXECUTIVE SUMMARY

Hunden Strategic Partners was engaged by the City of Greenville, Greenville County and VisitGreenvilleSC to determine the need and opportunity for a convention center in Greenville, South Carolina.

Greenville has developed an incredibly compelling downtown experience that weaves in nature, active streets, restaurants, culture, businesses, event spaces and hotels. It is the sort of downtown that most cities crave. In fact, most cities invest in big-ticket assets like convention centers, performing arts centers and arenas in order to make their downtowns attractive, active and relevant. Greenville has accomplished this without building a convention center. Its constraint, though, is there is not large space to host convention and conference events that cannot fit in the Hyatt. This constraint led stakeholders to suggest the development of a convention center.

The City of Greenville and the surrounding area are continuing to experience rapid growth. In fact, the metro area has consistently grown at approximately 20 percent every census for as long as records have been kept. While tourism has only begun to be a primary economic driver to this point, Greenville is rapidly becoming a mecca for travelers in the East, becoming a favorite conference and corporate getaway, especially in the five

southeastern states of South Carolina, North Carolina, Georgia, Tennessee and Virginia. The influx of many highly-paid and well-traveled, cultured and educated newcomers to the area tend to be attracted to the area's combination of economic growth, easy-going southern lifestyle, and the quick access to the Upcountry's Appalachian highlands, has created a groundswell of demand for the types of assets that cities many times larger boast.

The city has been proactive in creating a visually attractive and walkable downtown with many museums, arts facilities, restaurants, many new hotels, and highly rated indoor and outdoor sports facilities. This attractiveness related to downtown, which has been curated over the past generation, is what makes tourism and the potential for conventions so compelling. The hotel market is robust and growing downtown, in response to the high level of demand for hotel rooms. However, what makes Greenville's downtown so attractive is its compact, walkable nature, as well as the "nature" in the walk. Finding a location for a convention center that can hold a large number of people is a challenge in any built-up urban environment.

HSP conducted a number of interviews to help determine the potential need and inducement potential of a convention facility in Greenville. In addition, HSP received comments and feedback on a potential hotel package and other components that could impact the attractiveness of Greenville's overall hospitality package. Groups interviewed include:

- Event/Meeting Planners
- Local corporations
- City, county, and visitor industry officials
- Local hoteliers
- Local meeting facility management
- Consumer show organizers
- Local business and property owners

Requirements for a Convention Center Downtown

When considering any major real estate development, three items are critical to understand: funding, appropriate site availability and market demand. In short, the findings for each are as follows:

- **Funding.** HSP's investigation of existing funding sources suggests that unless there are significant shifts in short and longer-term funding priorities and commitments, there is not the funding available for a true convention center project, which includes structured parking and an adjacent hotel. All require public funding and the costs are significantly beyond what current funding sources, even with reallocated priorities, would support.
- **Site.** The HSP Team's investigation of sites that are both downtown and walkable from the key assets of downtown suggests that there are not any existing or land assemblies available that are large enough for a true convention center, related parking and required adjacent hotel. Developing on smaller sites requires more vertical (taller) development, which costs more. This is not to say that a site of 15+ acres could not be assembled in the future. Land assembly is a worthy goal if done in an appropriate location.

- **Market Demand.** HSP's analysis finds that *there is a market* that would hold meetings, conventions, conferences and other events in downtown Greenville. The downtown is very popular within the Carolinas and has some pull within the Atlanta market as well. However, due to the restrictions posed by the funding and site issues noted above, any project will need to be on a smaller footprint and have lower public funding requirements.

What is the Required Investment for a Convention Complex?

From a very big picture perspective, the development of a convention center, parking and adjacent hotel is a large investment. The following table suggests some *general* costs and public investment requirements.

Table 1

Convention Center Complex Funding Considerations			
	Smallest CC	Small CC	Mid-Sized CC
Exhibit Space (SF)	30,000	60,000	90,000
Ballroom Space (SF)	15,000	30,000	45,000
Meeting Space (SF)	15,000	30,000	45,000
Total Net (SF)	60,000	120,000	180,000
Back of House (SF)	66,000	132,000	198,000
Gross Building Under Roof (SF)	126,000	252,000	378,000
Cost per Square Foot	\$500	\$490	\$480
Total Convention Center Cost	\$63,000,000	\$123,000,000	\$181,000,000
Structured Parking Needed			
Spaces	500	1,000	1,500
Cost per Space	\$20,000	\$20,000	\$20,000
Total Parking Cost	\$10,000,000	\$20,000,000	\$30,000,000
Hotel Needed			
Rooms	300	450	600
Cost per Room	\$250,000	\$250,000	\$250,000
Total Cost	\$75,000,000	\$112,500,000	\$150,000,000
Estimated Subsidy Needed	\$22,500,000	\$33,750,000	\$45,000,000
Total Public Funding Required*	\$95,500,000	\$176,750,000	\$256,000,000
Annual Bond Payment**	\$5,056,704	\$9,342,876	\$13,520,784
* Not including land **Assumes 3% over 30 Years Source: HSP			

The smallest convention center that could be considered within the definition of a convention center is one with 30,000 square feet of exhibit space. With the other elements required, the total square footage is nearly three acres under roof and a cost of \$63 million. Required parking adds another \$10 million and more land. Finally, a convention center will not succeed unless attached or adjacent to a large convention headquarters hotel. The cost of these is beyond what the local market will bear, so a subsidy will be required. In total, the smallest convention center complex will therefore require \$95,500,000+/- public investment. If this were to be funded over 30 years at 3.0 percent interest, the annual payment would be more than \$5 million. This size facility would not be large enough to accommodate most of the conventions and events that may want to consider Greenville.

The table also shows the larger options that move the facility toward one that could be considered appropriate for some of the larger events that large local corporations would host, as well as many other conventions. The “Small CC” column shows the minimum (and smart Phase I) size that HSP would recommend if land and funding were available. As shown, this would require a 450-room hotel and a total of more than \$175 million in public investment. The annual debt payment would be greater than \$9.3 million. Acres under roof for the center would be approximately five to six, depending on the design and vertical nature. Parking and hotel would likely consume several more acres.

Is Funding Available? Despite the increase in funding collected, large portions of each source are committed or currently allocated to projects and other initiatives. HSP’s interviews with financial representatives from the City and County suggest that there are not major revenue sources that could be dedicated to a convention center project at the level required above. Even a \$3 million annual debt payment would cause leadership to change current and future project and funding priorities, although HSP does believe current and future priorities could be realigned to free \$1 to \$3 million annually, including closing the TD Convention Center, which could save approximately \$1 million. Without reprioritizing projects and funding, available funding from existing sources is not sufficient to fund or incentivize a convention center and related hotel development in downtown Greenville. If hotel related revenue sources increase, as they have in the past five to six years, there is an opportunity to retain these new revenues for large capital projects.

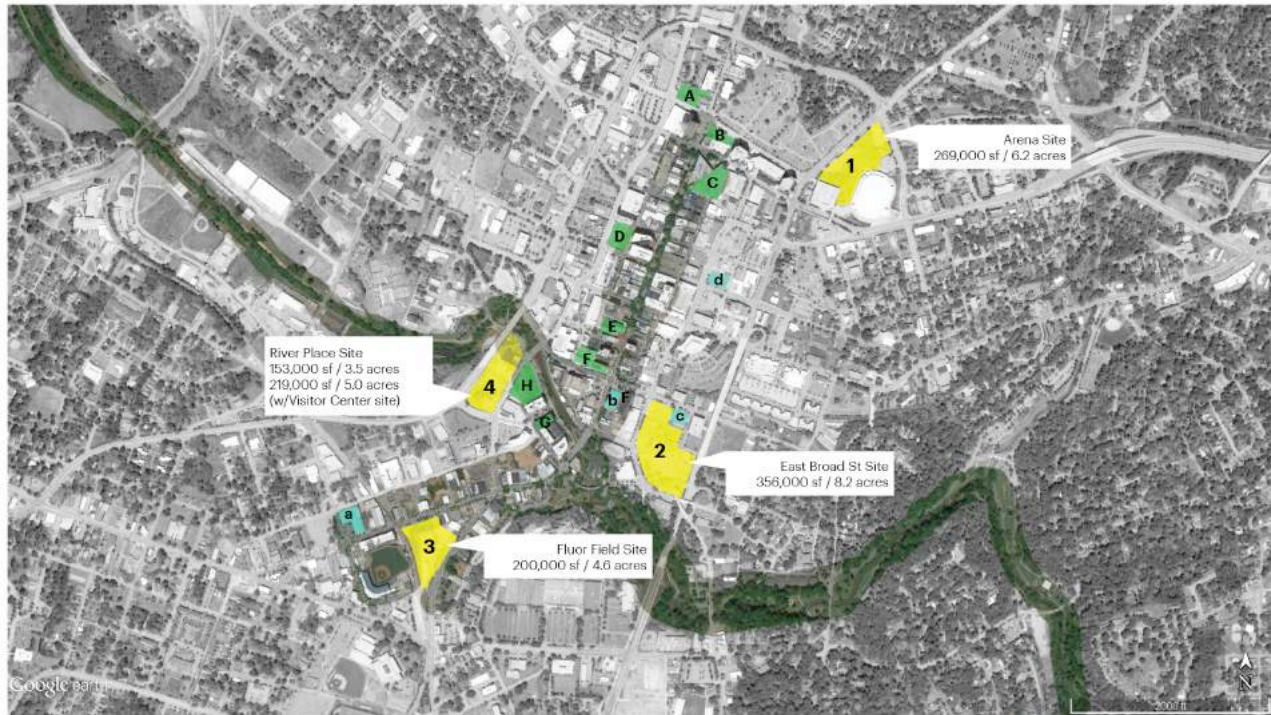
What is the Required Site Size and Location?

HSP has appreciated public and civic stakeholder’s interest in finding a site that can accommodate a convention center and related parking/hotel. After reviewing the options, it is very difficult to determine a site that truly works. Convention centers do not just need a total amount of space amongst disconnected blocks, but column-free contiguous space that will space multiple blocks. They also require loading docks, truck access and turning radii and other items that simply require a large block of land. Certain elements can be stacked, but others cannot. Stacking is more expensive, and it has been determined that excess funding is not available.

For the very smallest convention center, more than three acres are needed under roof, plus truck docks and turnaround areas, parking and hotel. For the *minimum* convention center size that would make sense for Greenville, 12+ acres are needed (assuming parking and hotel are on adjacent sites, the total acreage would approach 20 acres).

The next figure shows the sites that were considered.

Figure 1



Downtown Convention Center Proposed Sites **Site Statistics**
December 10, 2015

The next figure shows the walkable radius from each site.

Figure 2



Downtown Convention Center Proposed Sites
February 20, 2016

Hotels in 5-Minute Walk

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The East Broad Street site is the only one that comes close to having the acreage necessary for a convention center, not to mention related parking and adjacent hotel (and its parking needs, which equate to one space per room). However, even this site is too small to be completely feasible without significant vertical construction. Even then, the potential for expansion is extremely limited, which is a long-term concern.

As a result of these site constraints, along with the lack of significant funding for a true convention facility, HSP does not recommend building a convention center in downtown Greenville.

Key Findings

Greenville has developed an incredibly compelling downtown experience that weaves in nature, active streets, restaurants, culture, businesses, event spaces and hotels. It is the sort of downtown that most cities crave. In fact, most cities invest in big-ticket assets like convention centers, performing arts centers and arenas in order to make their downtowns attractive, active and relevant. Greenville has accomplished this without building a convention center. Its constraint, though, is there is not large space to host convention and conference events that cannot fit in the Hyatt. This constraint led stakeholders to suggest the development of a convention center.

Convention Centers, by their nature, are large collections of spaces meant for hosting large events. The challenge for Greenville is that it has developed an incredibly tight urban fabric without significantly large parcels of developable land within walking distance of Main Street. Meeting planners require a large block of hotel rooms attached and within easy walking distance of the convention center. This is not a fact that can be manipulated. Therefore, the sites for a convention center must be within easy walking distance of the largest block of hotel rooms possible. In addition, a new headquarters hotel must be attached or adjacent to any convention center. This could technically be the Hyatt, but no sites exist adjacent that are large enough to hold a convention center.

The number of walkable hotel rooms required for a convention center is generally 15 per 1,000 square feet of exhibit space. For the very smallest convention center, that would require 450 rooms attached or adjacent in as few hotels as possible. This would be achievable if a site existed that could accommodate the smallest convention center. A larger convention center would need even more committable rooms in a block. Committable rooms are those that hotels can commit to a group in advance, not the total number of hotel rooms. Most hotels will not commit more than 50 percent of their total room count to a group unless the hotel is a large group-oriented hotel. This suggests that at least 900 rooms would be needed within easy walking distance of the very smallest convention center.

Based on the analysis of sites, funding requirements, hotel needs and market opportunity, HSP cannot determine a feasible future for a convention center in downtown Greenville in the immediate term. If a site can be assembled in a compelling location and funding sources can be secured, then the community could consider this project again.

Recommendations

Given that site and funding constraints exist, what is a way that Greenville can capture and expand its group meetings/convention activity? As shown in the industry trends chapter, most conventions and conferences actually take place in hotels, not in convention centers. The Hyatt in downtown Greenville is a testament to that and has played that role for many years. The market and demand has grown beyond what it and other hotels can accommodate. There are many groups that would like to be in Greenville, but have no space that will accommodate them.

Instead of borrowing huge sums to develop a massive convention, parking and hotel structure that will actually detract from the walkable urban fabric that has been developed so successfully, **HSP recommends the development of a larger convention hotel property that includes the most compelling elements of a meeting facility, without the costs and size of an independent convention center.** In the long term, as this recommended facility is absorbed and enough land can be assembled nearby, along with funding for a large independent facility, a convention center could be developed. However, such an endeavor is likely at least ten years in the future.

In order to move Greenville a full step beyond what the Hyatt can currently offer – and so that whatever is developed is adding to the market and not simply transferring business or competing directly with the Hyatt – HSP recommends the following convention hotel:

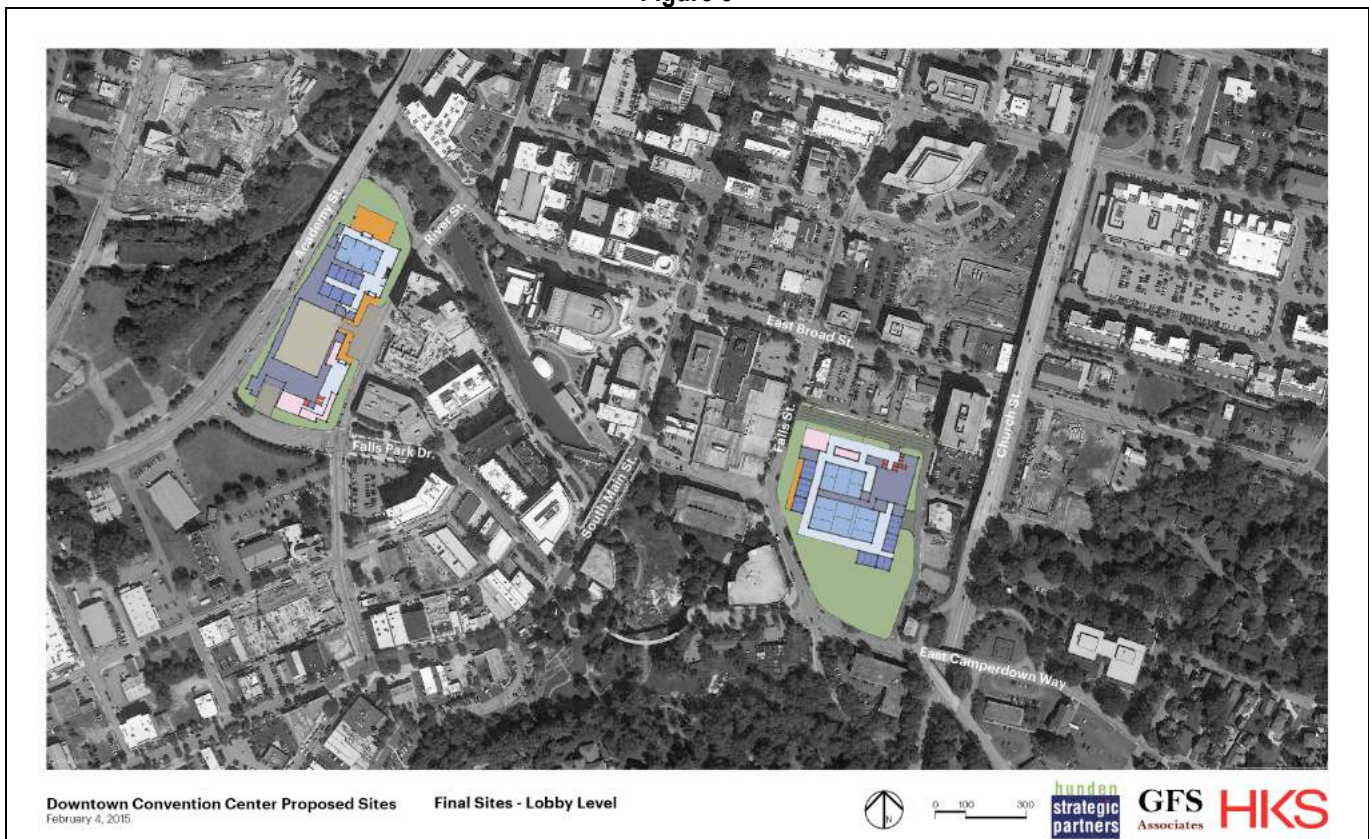
- 450+/- guest rooms
- Branded: Marriott, Hilton or Sheraton

- 25,000-square foot ballroom, divisible into at least five divisions. Ballroom capacity is 1,600 at round tables.
- 10,000-square foot junior ballroom, divisible into at least three divisions
- 16,000 square feet of breakout meeting rooms in 800- and 1,600-square foot modules
- One board room
- 833 parking spaces. Typically hotels require one space per room, but due to the robust size of the ballroom space, more parking is required for events.

Given the large amount of meeting and function space in this convention hotel, the cost per key will likely surpass \$300,000 per room. Total development cost will likely be \$135 million. However, the private sector can be induced to develop it with a strong incentive package. The size of that incentive package is estimated to be 35 percent of the project's cost, although could be less, depending on many factors.

The following figures show the potential sites for the recommended hotel development.

Figure 3



The two potential sites are the River Place site and the East Broad Street site. As shown, these sites can barely accommodate the recommended convention hotel, so considering them for a full convention center (plus hotel and parking) would not have been feasible.

Timing: HSP does not recommend that this hotel open sooner than 2020. As will be shown in the projections in the next chapter, the opening of nearly 1,000 new hotel rooms in the next two years will take some time for the market to absorb. However, the process for developing a major hotel like this does take time. It will take approximately one year (or more) to attract a developer and negotiate a development agreement. Then, once funding is in place, it will take approximately 20 months to construct. Realistically, the hotel would not be able to open until 2020, given the timing between this report's delivery, selection of a developer, negotiation of a deal and construction.

More detail is provided in the chapter summaries below and in the following report chapters.

SUMMARY OF CHAPTER CONCLUSIONS

The following is a summary of the primary data analyzed and results of each chapter in this report.

Economic, Demographic and Tourism Analysis

Local market area characteristics such as population, demographics, a diversified economy, access, quality of downtown and tourist attractions influence the potential demand for convention center and hotel developments.

The brightest star in the South Carolina Upcountry is Greenville's vibrant downtown scene. A myriad of museums, parks, and sporting facilities surround and integrate with the core of downtown's offices, shops and restaurants on Main Street.

In the mid-1970's, Main Street was converted into a two-lane street to better allow vehicular access, while at the same time, calming and slowing the traffic and adding wide, heavily landscaped sidewalks. The thickly planted shade trees along five blocks of Main Street were allowed to grow over the past four decades, creating the effect of a virtual forest amid the downtown buildings. In most cases the trees are now far taller than the buildings, helping to alleviate the summertime urban heat. It also creates a street and sidewalk shade canopy that is attractive to shoppers and cafes with outdoor seating areas. In subsequent years, adjacent downtown streets followed suit, in that newly developed hotels and buildings have added to the popular greenery. The result is a sort of classic college-town feel that today features over 100, mostly independent restaurants of a rich variety, along with modern and independent retail, offices, and a growing assortment of hotels. The city has earned a reputation as a favorite destination for "foodies," and is therefore seen as a downtown with an enviable social and culinary culture. Everything from tea-houses and coffee shops and bakeries, to nightclubs to brewpubs have added to the downtown scene as well.

Greenville lies in the center of the Piedmont Atlantic region of urban centers, making it easily accessible for a large number of people to reach. It is in a geographically appealing position to be a popular destination because of the rolling hills and surrounding Appalachian Mountains to the north. Greenville's development over the past four decades has set up a symbiotic relationship between the city and the environment. The city's emerging urban amenities, including the recent burst of new hotels, have embraced the area's natural beauty in addition to the downtown buildings' human scale that larger cities replaced long ago with faceless glass and steel skyscrapers. Small two and three-story buildings with or without historic architecture lend themselves very well to the small retail and restaurant experience. For all of the hard edges that urban centers typically feature, the softening effect of all of Main Street's trees and parks amid the downtown core's built environment is such a simple yet robust plan that the city has followed through to its natural blending.

While tourism has only begun to be a primary economic driver to this point, Greenville is rapidly becoming a mecca for travelers in the East, becoming a favorite conference and corporate getaway, especially in the five southeastern states of South Carolina, North Carolina, Georgia, Tennessee and Virginia. The influx of many highly-paid and well-traveled, cultured and educated newcomers to the area tend to be attracted to the area's combination of economic growth, easy-going southern lifestyle, and the quick access to the Upcountry's

Appalachian highlands. This trend has created a groundswell of demand for the types of assets that cities many times larger boast.

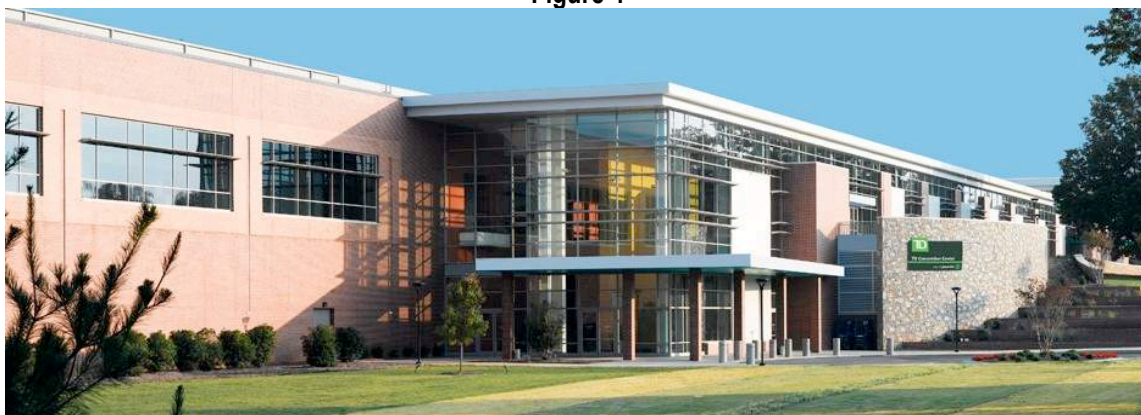
The city has been proactive in creating a visually attractive and walkable downtown with many museums, arts facilities, restaurants, many new hotels, and highly rated indoor and outdoor sports facilities. This attractiveness related to downtown, which has been curated over the past generation, is what makes tourism and the potential for conventions so compelling. As will be discussed later in this report, the hotel market is robust and growing downtown, in response to the high level of demand for hotel rooms. However, what makes Greenville's downtown so attractive is its compact, walkable nature, as well as the "nature" in the walk. Finding a location for a convention center that can hold a large number of people is a challenge in any built-up urban environment.

TD Convention Center Profile

The TD Convention Center (TDCC) is located at 1 Exposition Drive in Greenville, South Carolina. The facility was originally built in 1964 as a Textile Hall. The James H. Woodside Conference Center was dedicated in 1993, named after a former President of Textile Hall Corporation who was instrumental in spearheading the growth of the facility in the 1960s and 1970s. The City of Greenville purchased the facility in 2001 for \$6.75 million and contracted with SMG to manage the facility. A \$22 million renovation was completed in 2008 that improved the facility's exhibit and meeting spaces. The renovation also improved connectivity with public spaces. In 2011, the TD Convention Center officially reopened. The convention center is still privately managed by SMG, the largest venue management company in the U.S.

The following figure shows one of the main entrances at the TD Convention Center.

Figure 4



Notable physical attributes include a combination glass, brick and stone façade. Fountains can be found outside one of the other entrances to the convention center.

Because of the large amount of columned exhibit space relative to the amount of breakout meeting rooms, the market views the TDCC as a glorified expo center, not a true convention center. The other element that suggests this to the market is its location. Given that it is not in an urban setting, has extensive parking and

can host large consumer shows in a Class B exhibit setting, it is less of a tourism generator than a facility that is able to host large local/regional events.

The TD Convention Center as a whole is a functional center, however the facilities are out of date, too large for the market area and not geared toward the room-night inducing business that justifies the continued cost. To be a successful convention center, the facility would require at least some measure of column-free space, a true ballroom with ballroom finishes and a strong compliment of breakout meeting rooms.

However, the building is oversized for the market area and so it is underutilized. As a result, the facility loses money annually (approximately \$750,000). This annual loss is categorized as operating loss only and does not include annual renewal, refurbishment and periodic major improvements. Exposition centers typically can at least break even due to the revenue generation of consumer/public shows, but not the TDCC.

The TDCC is a product of another generation that needed a massive facility to showcase one particular industry. While it has been updated enough to host various event types, it is still a physical oddity relative to the marketplace. Closing it would mean the community would lose some business and a few thousand hotel room nights, but it would also stop losing hundreds of thousands of dollars each year in operating expenses. Given the hotel room nights and taxes it generates, these may not even cover the net operating loss.

Regardless of what happens with a new group facility downtown, the TDCC may not be justified financially for the public sector to own and fund in the longer term. It may instead find some value for a private user or group of users who can purchase it or take it off of the books of the public. The existing church tenant has shown interest in taking over the ballroom. The balance of the facility could be mothballed or only opened for major events that generate net income.

Convention and Meeting Industry Trends

It is important for stakeholders in Greenville to understand the forces shaping the convention and meetings business. While it is ever changing, the expectations for ease, convenience and low prices have increased, while the yearning for authenticity and large blocks of often generic/branded hotel rooms and attached high-quality flexible spaces have also increased. Authenticity tied to large generic blocks of hotel rooms and space is ironic, indeed, but is the case.

This higher level of expectation for everything at a lower price point is a challenge for cities, as it creates a market that is not willing to pay for the quality it expects. At the very least, Greenville offers an authentic experience, but the facilities it can offer today are not in line with expectations, hence why so few conventions and conferences can fit into venues in Greenville. Major and mid-sized cities that rely on convention business to fill their hotels and power their downtown economies often give away space or pay for shuttling or other costly items in order to lure meeting planners and their respective conventions. This effective rent reduction then cycles through the market to all venues. As the largest venues fill their space with subsidized events, the others follow suit. There is an expectation of reduced rent for impactful events, since they are actively sought after. Until demand exceeds supply, this market situation will continue.

Demand for meeting and exhibition space allowed many communities in the U.S. to develop successful convention and trade show facilities during the 1970s and 1980s. Public sector involvement in these

developments was motivated primarily by the desire to capture the economic benefits of the events they hosted in their communities.

The following figure shows the comparison of supply and demand growth beginning in 1987.

Figure 5

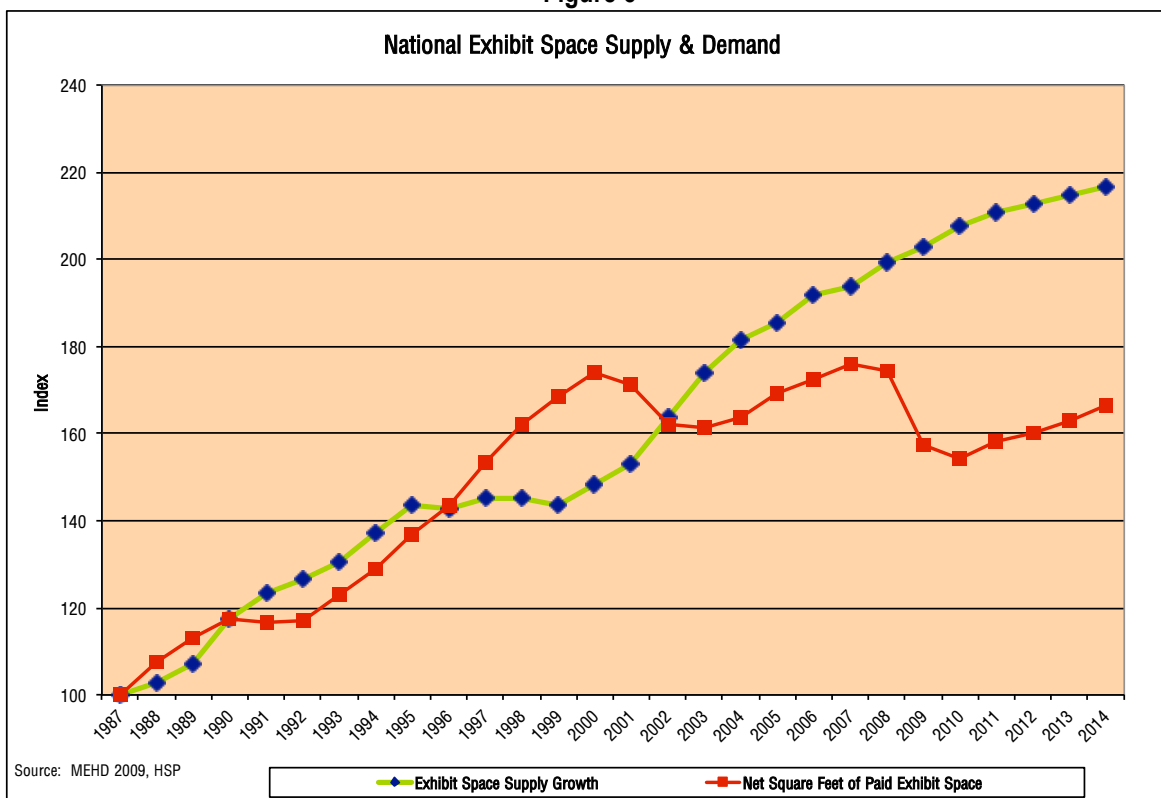


Exhibit space supply has increased every year since 1999, however paid exhibit space rises and falls with the economy, decreasing in 2001 and 2002 as well as 2008 and especially in 2009. This has led to increased competition amongst convention centers. While demand is now increasing at a higher rate than supply, the gap in the supply/demand index still provides meeting and event planners an edge in negotiations.

The convention and conference event industry is diverse and responds well to facilities that can accommodate their needs, such as assembly space for general sessions and displays, ballroom facilities and numerous breakout-meeting rooms. Supply has been outpacing demand in the convention and meetings industry, even before the economic downturn in 2008. Even in the economic downturn, however, more than 65 percent of convention and meetings facilities expanded, renovated or built new facilities. This hurt pricing power for facilities over the past several years, but as the economy and meetings expand, balance is being restored to the supply/demand mix. For those communities with the right mix of facilities and attractiveness, the return on investment can be quite measurable, in jobs, business activity and tax revenue. Since 2013, the meetings and convention business has been expanding at a rapid pace, in many cases faster than the growth in corporate or leisure business. However, events are shorter today than in the past and companies often

send fewer attendees or booth attendants/salespeople. Overall, the industry today is about the same size as it was in 2000, yet with many more facilities and adjacent hotel packages to choose from.

Important factors in the decision process of choosing a convention or meeting site include availability of nearby hotel rooms, cost of travel, and meeting space in the facility and hotels. The most important types of meeting space now are the number of breakout meeting rooms and ballrooms. Expo and exhibition space are still important, but less so now than in the past. Higher rated business (e.g. corporate, medical, associations that are willing to pay more for better facilities and experiences) needs many breakout rooms and high quality ballrooms to conduct their trainings and other meetings.

Is investment in this industry worth it? For those that construct and manage the right set of facilities within an attractive market, yes. Those that put the right package together: hotels and the right kinds of function space in a walkable environment, will generate new meetings and event business. Enhancing the 'fun' side of the community, such as a nearby downtown or entertainment/restaurant district, will provide the community more to sell against its competitors. Ultimately, those cities with a competitive package will generate a constant flow of group and event business that will support a number of hotels, restaurants and jobs.

Greenville has a captivating, walkable and authentic downtown. However, even the smallest convention facilities with 30,000 square feet of exhibit space ultimately need at least 120,000 square feet (or more) of space, when one factors in the ballroom, meeting room, pre-function space and back-of-house/service space. At a cost of \$500+/square foot, even the smallest of facilities will take more than three acres under roof and cost \$60 million. Expansion space and parking, as well as a connected headquarters hotel will likely take another four to six acres, depending on how vertically they are designed. These also cost money (and more when they are built taller) and the private sector has little incentive to risk these investments, so it falls to the public sector.

For those communities that can make it work and consistently work, there is a big fiscal and economic payday in the form of hotel and other taxes, jobs and urban activity. It also shows off the community as a place to live, work and visit again. Yet that upfront investment is large and the ongoing support is also quite significant.

Local Meeting Market Analysis

The local meeting market area consists mainly of several hotels with meeting space, an arena and a conference center. With the exception of the multiple hotels within the city, which have limited function space, the few other facilities are event spaces intended more for small meetings and special events.

The following table shows the function space for the venues in the Greenville Area in comparison to the TDCC.

Table 2

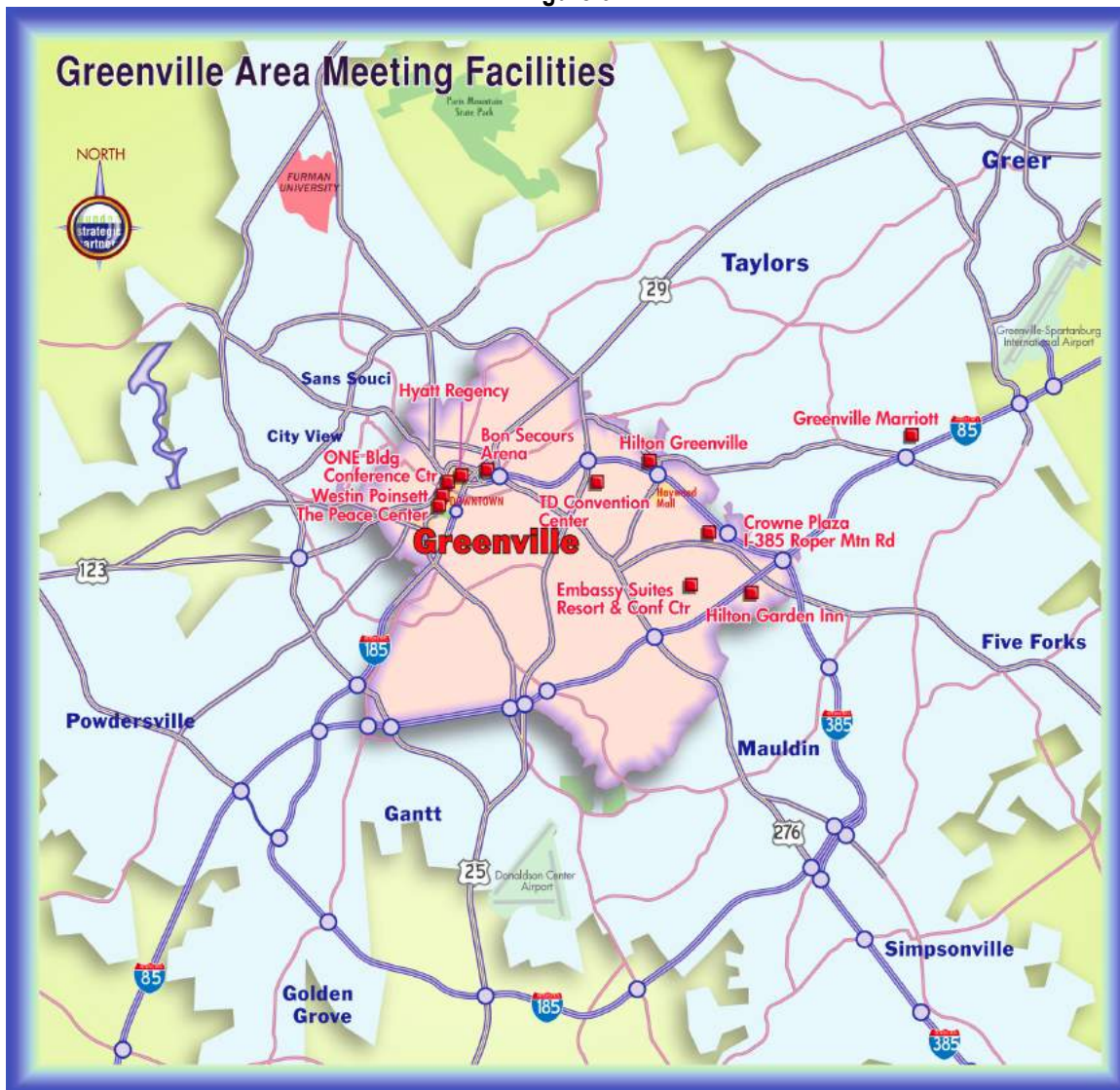
Greenville, SC Local Meeting Market Analysis							
Facility	Distance from Downtown (miles)	Total Function Space	Exhibit Space	Ballroom Space	Meeting Space	Breakout Rooms	Hotel Rooms
Bon Secours Wellness Arena	0.9	25,800	25,800	--	--	--	--
Hyatt Regency Greenville	0.4	23,363	--	17,981	5,382	24	327
Embassy Suites Greenville Resort & Conference Center	5.7	18,470	--	14,342	4,128	16	268
Peace Center (Huguenot Mill)	0.1	11,785	--	--	11,785	3	--
Hilton Greenville	4.5	11,512	--	8,952	2,560	13	256
Greenville Marriott	9.3	11,494	--	8,044	3,450	14	203
Westin Poinsett	0.1	9,622	--	6,455	3,167	8	200
Conference Center at Greenville ONE	0.4	6,900	--	--	6,900	18	--
Crowne Plaza Greenville I-385 Roper Mountain Road	5.9	5,592	--	4,200	1,392	6	202
Hilton Garden Inn Greenville	7.6	4,282	--	2,508	1,774	4	120
Average	3.49 miles	12,882	25,800	8,926	4,504	12	225
TD Convention Center	3.5	339,870	280,000	30,000	29,870	18	247

Source: Various Event Facilities, Hunden Strategic Partners

As the table shows, the meetings market consists of the TDCC, Bon Secours Wellness Arena, Peace Center and hotel properties. There is a large gap in the function space between the TDCC and the other venues. Additionally, the arena and Peace Center are non-traditional venues that are sports and entertainment first and supplement their event calendar with meetings. There is also disparity in the quality of meeting spaces in Greenville. The Hyatt Regency is the primary hotel meeting facility in downtown Greenville.

The following map shows the meeting facilities in the Greenville area.

Figure 6



As the map shows, in addition to the TDCC there are several hotels with meeting space, an arena and a conference center.

Bon Secours Wellness Arena, "The Well," is the only venue in addition to the TDCC that offers any exhibit space. The Well has 25,800 square feet of exhibit space, which is much smaller than the 280,000 square feet that the TDCC offers. The Hyatt Regency and Embassy Suites Resort & Conference Center offer the most ballroom space outside of the TDCC. The Regency Ballroom at the Hyatt Regency is 14,381 square feet with ten divisions. The Teal Ballroom contains 3,600 square feet with no divisions. The Peace Center with 11,785 square feet of meeting space has the most in the local market. The Peace Center offers creative spaces with a different look and feel than typically offered at traditional meeting facilities. These spaces are regularly used for banquets, social events and private parties. The remainder of hotel properties offer modest meeting

spaces that can accommodate smaller events as well as overflow meeting space needs that may come from the TDCC or Hyatt Regency.

Regional Convention Centers

Greenville's primary competition will come from South Carolina, greater Atlanta area, North Carolina and eastern Kentucky convention centers and large hotels with substantial meeting space. The following facilities have been identified as the primary competitive set for convention centers in the competitive region.

The following table shows the South Carolina and regional convention facilities that compete for convention and meeting business. The table includes total function space and breaks that space down into exhibit space, ballroom space and meeting room space. It also shows walkable/proximate hotels and hotel rooms. Walkable hotels are those within approximately 1,200 to 1,500 linear feet from the primary convention or event facility. In order to provide a sense of the competitive supply, HSP investigated the meeting facilities in the region with more than 30,000 square feet of total function space.

The following table lists the regional competitive meeting facilities.

Table 3

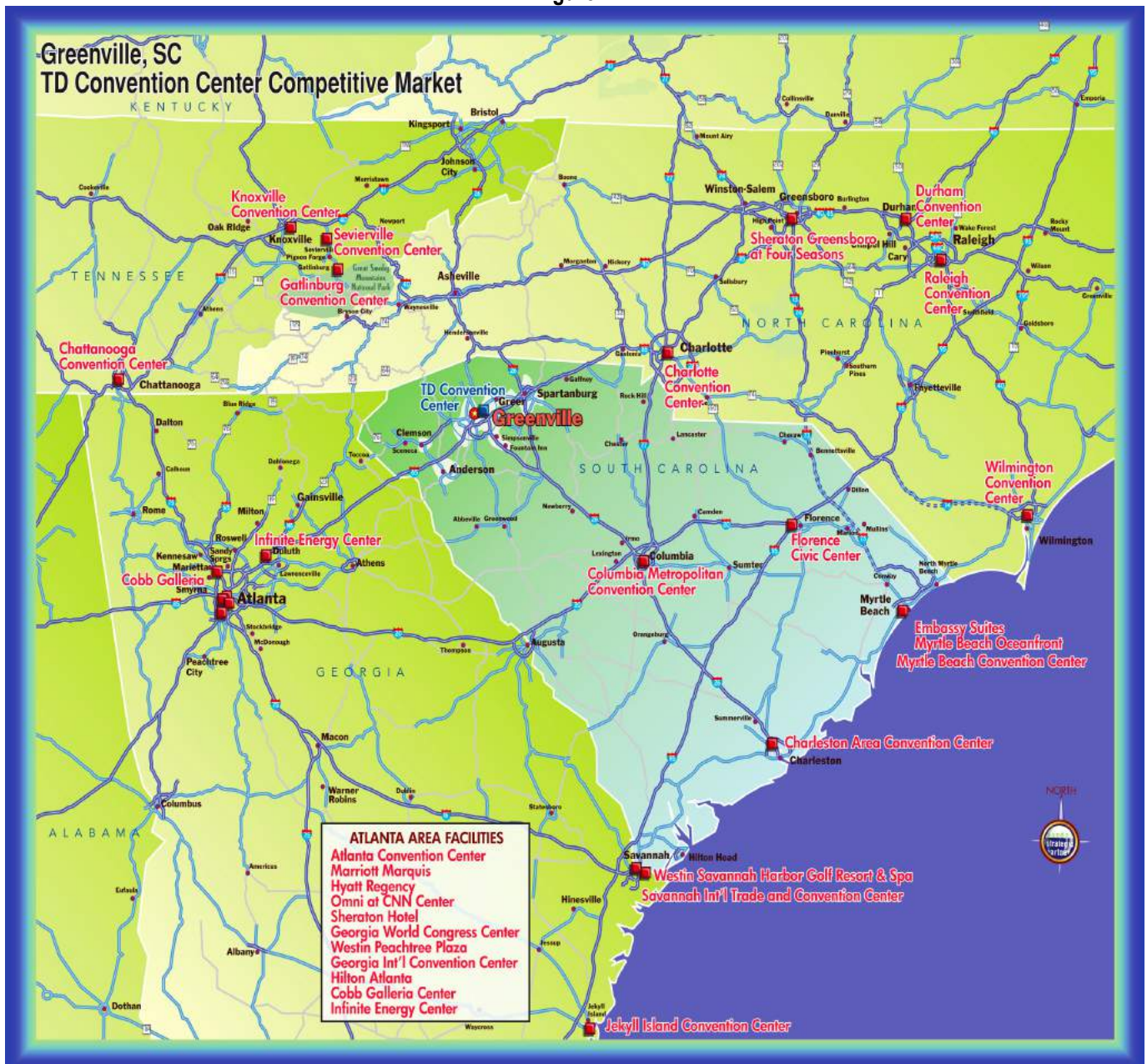
Competitive Environment - Convention and Event Centers								
Facility	Location	Total Function Space	Exhibit Space	Ballroom Space	Meeting Room Space	Walkable Hotels	Walkable Hotel Rooms	Walkable Hotel Rooms/ 10k SF of Function Space
Georgia World Congress Center	Atlanta, GA	1,657,818	1,366,000	58,722	233,096	5	1,992	12
Atlanta Convention Center at AmericasMart	Atlanta, GA	730,997	677,218	6,050	47,729	18	8,421	115
Charlotte Convention Center	Charlotte, NC	375,321	280,000	35,000	60,321	9	2,478	66
Raleigh Convention Center	Raleigh, NC	208,102	145,843	32,617	29,642	2	753	36
Georgia International Convention Center	Atlanta, GA	206,580	151,200	40,300	15,080	2	550	27
Cobb Galleria Center	Atlanta, GA	183,698	144,000	25,000	14,698	4	1,009	55
Knoxville Convention Center	Knoxville, TN	181,406	119,922	27,300	34,184	5	844	47
Hyatt Regency Atlanta	Atlanta, GA	161,939	58,253	56,150	47,536	18	8,078	499
Savannah International Trade and Convention Center	Savannah, GA	141,904	97,750	25,000	19,154	1	403	28
Chattanooga Convention Center	Chattanooga, TN	139,470	100,000	17,466	22,004	7	1,271	91
Myrtle Beach Convention Center	Myrtle Beach, SC	131,931	100,800	16,890	14,241	1	402	30
Sevierville Convention Center	Sevierville, TN	129,615	108,245	19,290	2,080	2	394	30
Hilton Atlanta	Atlanta, GA	122,333	41,000	39,000	42,333	9	5,845	478
Atlanta Marriott Marquis	Atlanta, GA	120,636	--	73,357	47,279	18	8,078	670
Charleston Area Convention Center	Charleston, SC	118,038	76,960	24,960	16,118	7	1,086	92
The Westin Peachtree Plaza	Atlanta, GA	102,080	--	53,235	48,845	18	8,465	829
Sheraton Greensboro at Four Season	Greensboro, NC	96,493	--	63,775	32,718	12	2,231	231
Gatlinburg Convention Center	Gatlinburg, TN	94,076	66,910	17,064	10,102	33	2,631	280
Infinite Energy Center	Duluth, GA	87,105	52,000	21,600	13,505	1	143	16
Omni Atlanta Hotel at CNN Center	Atlanta, GA	67,409	15,000	33,970	18,439	11	3,998	593
Jekyll Island Convention Center	Jekyll Island, GA	64,810	--	45,140	19,670	--	--	--
Sheraton Atlanta Hotel	Atlanta, GA	58,231	--	28,966	29,265	10	7,024	1,206
Columbia Metropolitan Convention Center	Columbia, SC	57,025	24,700	17,135	15,190	3	474	83
Wilmington Convention Center	Wilmington, NC	47,931	30,173	12,000	5,758	4	574	120
Embassy Suites by Hilton Myrtle Beach Oceanfront	Myrtle Beach, SC	46,343	--	27,360	18,983	2	608	131
Florence Civic Center	Florence, SC	34,250	--	14,500	19,750	9	860	251
Durham Convention Center	Durham, NC	31,762	--	26,996	4,766	3	398	125
Average	--	199,900	192,420	31,809	32,685	8.2	2,654	133
TD Convention Center	Greenville, SC	339,870	280,000	30,000	29,870	2	247	7
Difference from Average		139,970	87,580	-1,809	-2,815	-6	-2,407	-126

Source: Various Facilities, Hunden Strategic Partners

As shown, the Georgia World Congress Center in Atlanta, Georgia has the largest amount of function space with more than 1.6 million square feet. Due to Greenville's central location between Charlotte and Atlanta, facilities in Atlanta and North Carolina are likely to draw events that may consider Greenville due to the proximity, number of walkable hotels and proximate hotel rooms that each city offers, which is vital to any convention or event center's success. Myrtle Beach, Charleston and Columbia are the competition from inside South Carolina. There is also additional competition in the surrounding states including Tennessee to the northwest as well as the Raleigh-Durham area to the northwest.

The following figure shows the location of the convention center and convention/conference hotel competition in the state and region.

Figure 7



As shown, there are a number of hotels and meeting facilities that offer more than 30,000 square feet of meeting space in the region. The larger regional convention centers and meeting facilities are concentrated in the Atlanta and Charlotte areas. There are several convention centers in South Carolina, but they are all a fair distance from Greenville. The Columbia Metropolitan Convention Center is the closest to Greenville, located 103 miles to the southeast.

Convention Hotel Trends

Based on the analysis, a convention center hotel, either by itself, or associated with a convention center, will be needed. This is based on the current expectations of the market, which requires large blocks of hotel rooms in an adjacent or attached hotel related to a meeting facility. In some markets that are not able to fund or support an independent convention center, a convention or conference hotel is the first big step in that direction as it offers the elements of both needed components (meeting/ballroom space and attached hotel rooms). The existing Hyatt in downtown Greenville is an example of this and was constructed essentially for that purpose in a public-private effort. If Greenville cannot determine a viable site and funding plan for a convention center, which HSP believes will be the case, a larger convention headquarters hotel may be the likely best option for advancing meetings and conferences in downtown Greenville.

This chapter provides insight on the methods and tools used for convention hotel development in various markets. As the primary hotels for a market's meeting facilities and typically the largest hotel in the downtown and market area, a number of critical criteria must be met to ensure the greatest potential of success for both the property itself as well as the market as a whole. In most cases, these hotels require some form of financial incentives in order to be developed, typically in the form of public subsidies.

Convention Hotel Market

The meetings market has evolved over the past 20 years and has grown more sophisticated, and planners have increased the requirements necessary to book meetings business. At one time, meeting planners expected to contract with multiple hotels in order to service a convention, pay for their own transportation and seek additional event and meeting locations when necessary. In recent years, however, cities began to offer room packages within just a few very large hotels adjacent to meeting facilities. This improvement in packaging of the convention/meeting product led to expectations by the market and competitive pressure for all larger meeting facilities to offer a convenient package of hotels attached, adjacent or within immediate walking distance of the facility. This proximity eliminates the need for shuttling, and often the hotels provide enough meeting and event spaces for the additional needs of the planners. Those that do not offer such a package, such as Greenville, suffer considerably when competing for meetings, conferences, conventions and other events.

The demands are not only for hotel rooms, but also for high-quality hotel room blocks in major branded hotels. Due to the requirements for large room blocks, meeting and function space, food and beverage service and parking, these facilities are often outside the realm of private financial feasibility. This feasibility gap is generally temporary, typically during the pre-development and early operational stages of the property, but renders such projects difficult to finance. However, for markets with lower average daily rates and occupancy levels, the feasibility gap can be ongoing. As a result, the public sector has found creative ways to participate in the financing of these hotel developments because they recognize that without such facilities, the performance of their publicly funded meeting facilities will suffer and not provide the economic impact that rationalized the initial development.

Since 1992, one of the most notable trends in public finance has been the use of municipal bonds and other public financing tools to enable the development of convention hotels.

In today's competitive convention market, the market has demanded and received top-quality hotel and convention/conference center packages, usually connected to each other, in most major U.S. cities and now even in second and third-tier cities. As a result, many of these markets have opted for hybrid hotel models that include the amenities meeting planners expect but at lower price points via a select-service brand with extra amenities, or a full-service brand with fewer amenities and services. In Greenville, the average daily hotel rate is high enough that a select service hotel brand is not necessary and in fact, would duplicate what already exists. What Greenville needs is a full-service convention product that can handle larger events than the current Hyatt. In order to compete effectively in the Carolinas and with the Atlanta suburbs, a hotel of 400 or more rooms is implied. The Raleigh, NC Marriott of 400 rooms was a publicly-funded convention hotel that is a competitor (with and without the adjacent Raleigh Convention Center).

The driving force behind these convention center and hotel developments in both small and larger markets is the public-private partnerships that are designed to bridge the gap in financing and make projects feasible that would never be financed without public incentives. In each case presented, local, county and/or state governments recognized the need for public incentives that made these projects a reality, thereby making their offering packages more attractive to meeting planners. These cities have recognized that neither a convention center nor a nice hotel is compelling enough on its own, but rather the entire package of quality meeting space, a large quality hotel room block and proximity between the two are essential to remain competitive in today's meetings market.

For Greenville, given the situation with numerous smaller hotels yet very little function space or large room blocks in the downtown area, a new, large, full-service meetings hotel will be a key part of the next steps in the evolution of Greenville's meetings product, regardless if a convention center is developed.

Hotel Market Analysis

In order to best understand the hotel market surrounding Greenville, HSP profiled selected hotels in the area. HSP chose a set of primary competitive and relevant hotels that impact the market to analyze within the Greenville market area. The primary factors considered were location, quality, amenities, size and brand.

The following table shows a summary of the hotels in the Greenville competitive set.

Table 4

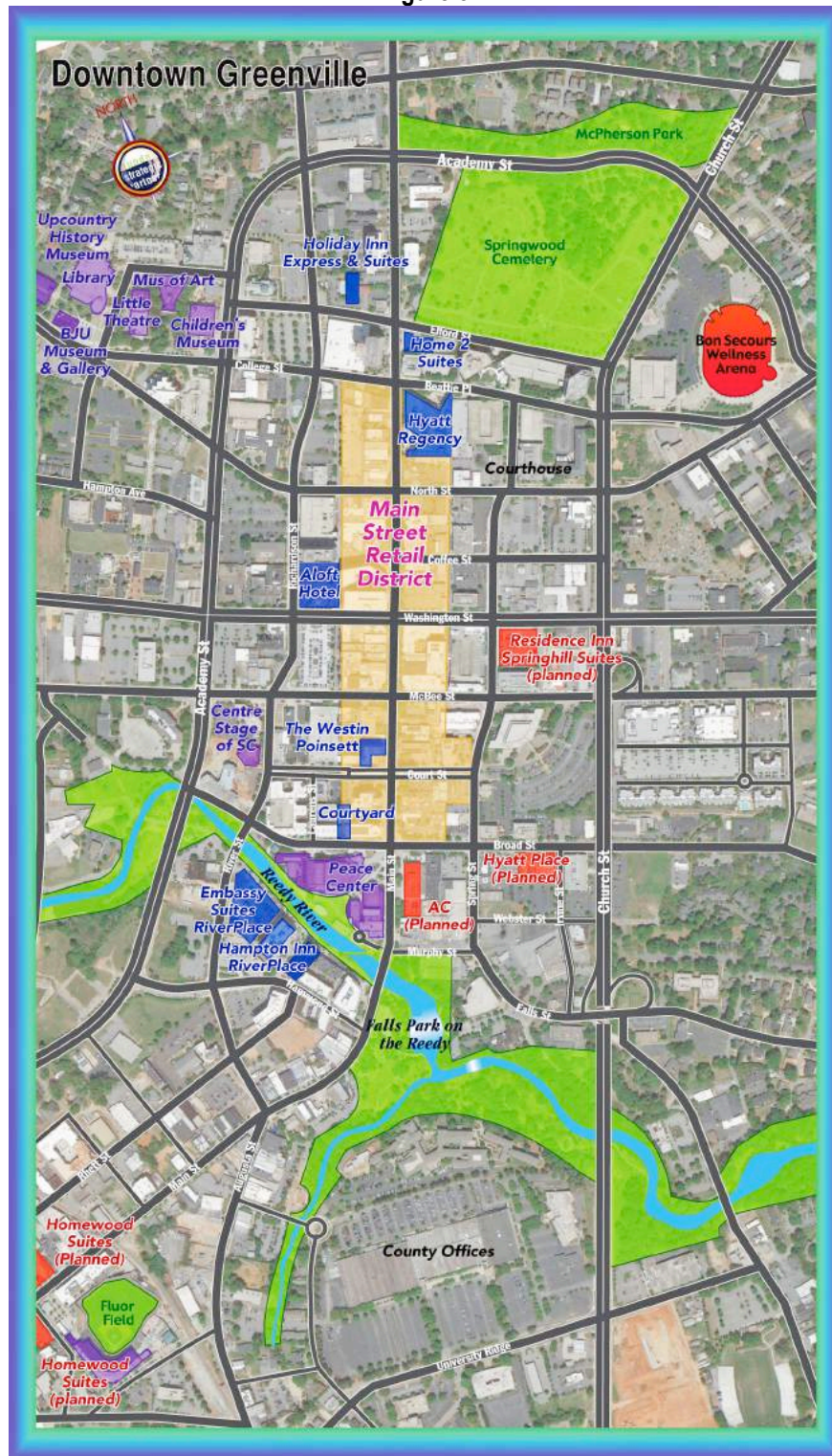
Greenville Competitive Set Hotels				
Property Name	Distance	Rooms	Chain Scale	Open Date
Hyatt Regency Greenville	0.4	327	Upper Upscale	Jan-82
Westin Poinsett	0.1	200	Upper Upscale	Jun-00
Courtyard Greenville Downtown	0	135	Upscale	Apr-10
Hampton Inn Suites Greenville Downtown	0.2	115	Upper Midscale	Jul-06
Holiday Inn Express & Suites Greenville Downtown	0.5	80	Upper Midscale	Sep-01
aloft Hotel Greenville Downtown	0.2	144	Upscale	Dec-15
Homewood Suites	0.7	140	Upscale	Planned
Residence Inn/Springhill Suites (Dual Branded)	0.3	240	Upscale	Planned
Embassy Suites RiverPlace	0.3	156	Upper Upscale	Sep-16
AC Hotel by Marriott	0.05	140	Upscale	Planned
Hyatt Place	0.2	130	Upscale	Planned
Home2Suites	0.6	117	Upper Midscale	Jul-16
Average	0.3	160	--	Mar-06
Total		1,924		

Source: Smith Travel Research, Hunden Strategic Partners

There are twelve hotels in the Greenville competitive set, totaling 1,924 rooms. The largest property is the 327-room Hyatt Regency Greenville, located on Main Street in downtown Greenville, northwest of I-385. The average age of the competitive set hotels is 10 years. The newest of the hotels is the Aloft Hotel Greenville Downtown which opened in December 2015. Other newer hotels in the competitive set include the 135-room Courtyard Greenville Downtown and the 115-room Hampton Inn & Suites Greenville Downtown, built in April 2010 and July 2006, respectively. Currently the city has seven hotels either planned or under construction in the Downtown district. The new additions will double the rooms in the downtown market.

The following map shows the downtown hotels, including those under construction or imminent.

Figure 8



The current downtown hotel supply is fairly balanced and centered from north to south along Main Street, although the center of gravity for rooms is still north. The largest hotel is the Hyatt, which anchors the large format venues like the Bon Secours Wellness Arena on the north end of downtown. However, most of the new hotels are positioned toward the south and middle, which will make the balance of rooms essentially equalized north, central and south in downtown.

This presents both a challenge and opportunity for another major meeting and/or hotel venue. If all the hotels were clustered together, a new meetings venue should be adjacent to that cluster and attached or easy to walk to as many hotels as possible. However, with the hotels spread out, it opens up options for where to place a new hotel or meeting facility. Yet it also constrains the easily walkable room count, especially if the new facility is at either end. Given available parcels that would be large enough are not necessarily centralized, the walkable room count will likely not include all hotels downtown, which will put Greenville at a slight competitive disadvantage, especially if the new facility is more than four blocks from the Hyatt.

HSP used Smith Travel Research data to analyze the competitive hotel set. The following table shows the performance data for the Greenville competitive set of hotels from 2011 through September of 2015.

Table 5

Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels											
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2011	858	313,170	--	227,111	--	72.5	--	\$125.25	--	\$90.83	--
2012	858	313,170	0.0%	224,297	-1.2%	71.6	-1.2%	\$136.22	8.8%	\$97.56	7.4%
2013	858	313,170	0.0%	243,572	8.6%	77.8	8.6%	\$144.75	6.3%	\$112.58	15.4%
2014	860	313,900	0.2%	245,869	0.9%	78.3	0.7%	\$159.86	10.4%	\$125.22	11.2%
2015 YTD (September)	860	233,961	0.0%	189,696	3.8%	81.1	2.6%	\$174.09	10.3%	\$141.15	8.5%
Projected 2015	860	313,955	0.0%	258,162	5.0%	82.2	5.0%	\$177.45	11.0%	\$145.92	16.5%
CAGR* (2011-2014)	0.1%	0.1%	--	2.8%	--	2.7%	--	5.5%	--	12.6%	--

*Compound Annual Growth Rate

Sources: Smith Travel Research, Hunden Strategic Partners

Demand for room nights in the selected hotel set has increased every year between 2011 and September 2015 except 2012. Over this period demand for room nights decreased from 2011 to 2012 by almost 3,000, but 2013 saw a positive increase of more than 19,200 and 2014 saw an increase of almost 2,300.

Occupancy has increased from its 2011 level of 72.5 percent to the 2015 record level of 82.2 percent. Though this increase is statistically significant, a much more important dynamic is present for this market. The occupancy rate is substantially beyond the threshold, approximately 66-68 percent, where developers start to consider potential new hotel developments.

The average daily rate experienced steady increases from 2011 to 2015. As the strength of occupancy provided support for rate increases, ADR in 2015 through September was already running nearly 10 percent higher than the same period for the prior year. With average daily rates nearing \$180, there is market support for new fuller-service hotels. The market has responded and many new hotels are underway.

Revenue per available room (RevPAR) is projected to increase by 16.5 percent to \$145.92. The benefit of the increased ADR level is that it supports not only new hotel growth, but also a higher quality of hotel than previously built. Rates and occupancies are highly dependent upon seasonality, but the compression of strength in all seasons is leading to the market's ability to support new development of select service hotels and potentially full-service hotels, depending upon the amenities provided.

The following table shows the occupancy by day of the week per month for the twelve months from October 2014 through September 2015. Days of the week with occupancy between 75 and 80 percent are shown in yellow, suggesting mild displacement and unaccommodated demand, while orange shows days with 80 to 90 percent occupancy, suggesting very likely displacement. Days in red are for times when occupancy was beyond 90 percent for the set, suggesting near-certain displacement.

Table 6

Occupancy Percent by Day of Week by Month - October 2014 - September 2015								
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Oct - 14	60.1%	91.5%	98.3%	95.8%	91.6%	89.1%	95.7%	88.9%
Nov - 14	42.1%	79.6%	86.3%	83.1%	73.4%	85.5%	86.0%	76.5%
Dec - 14	38.9%	58.6%	96.0%	75.3%	56.9%	70.0%	77.6%	67.6%
Jan - 15	32.7%	74.9%	89.4%	84.0%	54.8%	52.6%	66.0%	64.9%
Feb - 15	48.2%	75.6%	89.8%	89.1%	85.4%	86.1%	89.9%	80.6%
Mar - 15	46.6%	81.2%	88.0%	91.5%	79.8%	87.9%	88.9%	80.6%
Apr - 15	48.4%	90.4%	98.7%	91.9%	86.9%	87.3%	93.6%	85.3%
May - 15	50.7%	76.5%	94.9%	97.3%	84.0%	88.9%	96.2%	84.1%
Jun - 15	52.8%	83.9%	90.1%	95.8%	86.5%	91.7%	97.2%	85.4%
Jul - 15	61.0%	83.9%	94.5%	88.8%	82.8%	92.0%	96.3%	85.6%
Aug - 15	43.4%	79.6%	92.8%	92.6%	91.2%	88.0%	89.9%	82.5%
Sep - 15	54.1%	67.7%	86.8%	92.8%	89.0%	95.9%	95.7%	83.1%
Average	48.3%	78.6%	92.1%	89.8%	80.2%	84.6%	89.4%	

Sources: Smith Travel Research

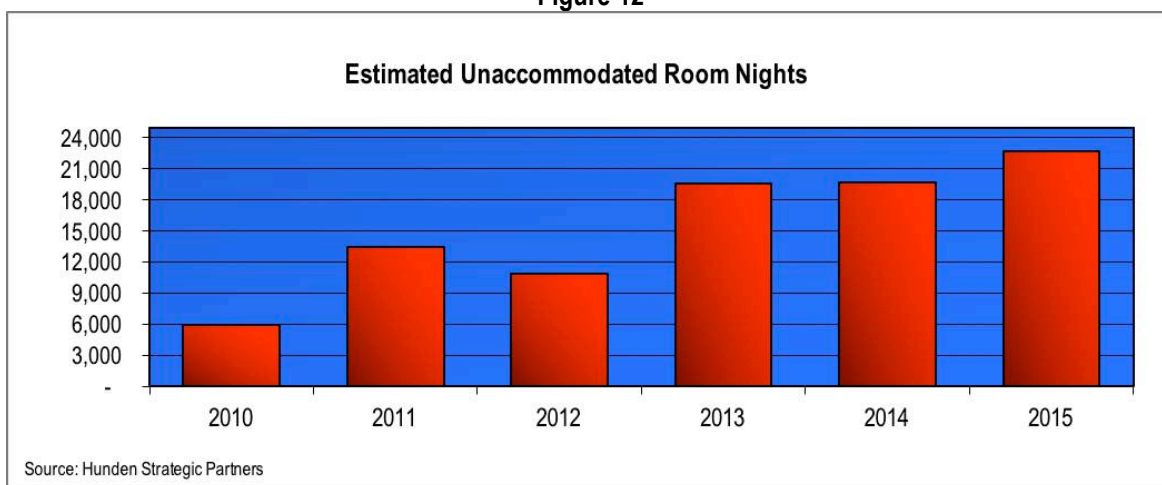
Each cell is an average of four specific dates, for example Wednesdays in March average 91.5 percent occupancy, suggesting that there are likely a couple of dates at 100 percent occupancy. As shown, Monday through Saturday occupancy in March and April 2015 was highest. The lowest occupied night of the week after the typically-slow Sunday, is Monday. Monday in most markets is one of the highest occupied nights of the week as business travelers arrive, but for Greenville the corporate business is strongest on Tuesday and Wednesday nights. This is likely due to the difficulty of flying in directly to the airport. If there were many options for flyers to come in on Monday, they may stay over Monday night. However, many fly to Charlotte or Atlanta and drive in on Monday, then stay over Tuesday/Wednesday. Weekends are very strong, as noted and there is extreme displacement most of the year from Tuesday through Saturday nights.

Unaccommodated demand is defined as demand that would have been captured by the market but for a lack of available or quality rooms. This demand is therefore deferred to later dates, accepts lesser-preferred accommodations, moves just outside the competitive set, moves its business to another area, or cancels

plans altogether. Therefore, as new properties are added to the market, it is expected that this demand will be accommodated by the new supply, suggesting that when new hotels are added, they do not cannibalize existing market demand, but accommodate previously unaccommodated demand. While it is not possible to accurately predict all unaccommodated demand, a decent figure can be inferred from occupancy data.

The following figure shows the estimate of unaccommodated room nights over the past five years for the competitive set of hotels only.

Figure 12



As previously mentioned, an unaccommodated room night is a night when a traveler seeking accommodations within the market must either cancel their stay or settle for accommodations of lesser quality because the desired facilities have no vacancies. The number of estimated unaccommodated room nights is determined in any month when occupancy is higher than 66 percent. Based on the prior table, there are sellouts at the competitive set hotels during the weekend and over select weekdays. When rooms sell out or nearly do so, rates can be increased and the viability of new hotels is more likely.

Based on HSP estimates, the number of unaccommodated room nights for the competitive set peaked in 2015 with more than 22,700 rooms. Any new hotel room inventory that enters the market over the next few years is likely to absorb much of the unaccommodated demand. Also, the new properties are likely to capture room nights from the lower quality properties because travelers have a tendency to flock to quality, especially considering the age of the current hotel set.

The hotel market in Greenville is primarily composed of mid-sized, midscale to upscale facilities. The largest hotel, the 327-room, luxury class Hyatt Regency Greenville, is the market leader in terms of size and quality, yet most of the high quality hotels are participating in record occupancy and daily rates. Performance is strong and improving, and unaccommodated demand has increased with it. Given the high rate of both measures, it is not surprising that proposed hotels will double the downtown room count when completed. This will put pressure on both occupancy and rate. The one way to support the new product is by generating new demand. This can occur with a new facility that induces more group business to the market. Such a facility can be a convention center, conference center or large format headquarters hotel. The key is having enough meeting

space to induce new meeting demand, as well as a large enough room block to accommodate meeting planner demands.

Meeting Planner Survey and Interviews

Hunden Strategic Partners conducted a meeting planner survey of those who would geographically qualify to hold their event in Greenville and conducted personal and phone interviews with representatives of many local and regional meeting planners for this project. The results of the surveys and interviews informed the physical programming and the depth of demand in the market.

The first survey was primarily to meeting planners in the Carolinas and focused on the concept of a convention or conference center. While this was successful in terms of responses, the results were not solid enough to suggest that a convention center would be a home run in Greenville. In fact, most respondents suggested they would like a conference center and hotel. It was about this time in the process that HSP determined that the city and county do not have adequate funding sources for a major event facility. In addition, there are no sites large enough in the walkable downtown area for a true convention center. Therefore, a second survey was sent to Atlanta meeting planners to understand their perspectives and determine if a more compact convention hotel would be compelling for them. Unfortunately, there were too few responses to the survey to provide an adequate read of that market, suggesting that Greenville may not be as compelling a destination for Atlanta meeting planners as hoped.

HSP conducted a number of interviews with local and regional corporations and planners. Conversations with current and prospective user groups indicated the following about needs moving forward:

- There is a desire for 100,000 to 150,000 square feet of exhibit space.
- Groups would like to have more flexible function space in Greenville that can be dressed up or down depending on the event or use. The ability to flex from larger spaces to smaller, divisible rooms is preferred, in addition to more breakout rooms. Number of breakout rooms range from five to 15.
- A hotel within walking distance of the meeting facility is a necessity with a direct connection a critical desire for many. The hotel should be a minimum of 350 rooms and should include restaurant options, its own meeting space, and catering services.
- The area around the meeting facility should be surrounded with places to eat, shop and be entertained. This will make any potential venues much more attractive.
- Major corporations need a facility that will minimize cost and hassle. They prefer a facility that is walkable from hotels and activity nodes.
- Consumer show producers indicated that there are few good options for producing events. A downtown facility with comparable exhibit hall space to the TDCC would maintain Greenville's consumer show business. Parking availability is critical.

Many groups that currently use the TD Convention Center are content or satisfied with the facility's programming and quality of service. However, closing the doors to the TD Convention Center in favor of developing and operating a new meeting facility in downtown Greenville may produce more impact for the city considering enhanced room night generation. In other words, Greenville is currently able to accommodate a

drive-in, low rate market with the TDCC, but could potentially replace that business with a higher-rated, more impactful business once a new, modern facility is developed.

FINDINGS AND RECOMMENDATIONS

This chapter summarizes the HSP Team's findings and recommendations. The first element, Reality Check, is a summary of some of the key factors necessary to consider the proposed development. If those factors are not favorable, then development is not feasible without significant changes in the factors. These factors include funding options and site issues. These will be covered first, as the analysis cannot proceed without an understanding of "where" and "is it affordable?"

The second element is Key Findings regarding the analysis. The recommendations, site suggestion, drawings and budgets conclude the chapter.

Reality Check

When considering any major real estate development, three items are critical to understand: funding, appropriate site availability and market demand. In short, the findings for each are as follows:

- **Funding.** HSP's investigation of existing funding sources suggests that unless there are significant shifts in short and longer-term funding priorities and commitments, there is *not* the funding available for a true convention center project, which includes structured parking and an adjacent hotel. All require public funding. This will be discussed in more detail.
- **Site.** The HSP Team's investigation of sites that are both downtown and walkable from the key assets of downtown suggests that there are *not* any existing or land assemblies available that are large enough for a true convention center, related parking and required adjacent hotel. Developing on smaller sites requires more vertical (taller) development, which costs more. See funding bullet above.
- **Market Demand.** HSP's analysis finds that *there is a market* that would hold meetings, conventions, conferences and other events in downtown Greenville. The downtown is very popular within the Carolinas and has some pull within the Atlanta market as well. However, due to the restrictions posed by the funding and site issues noted above, any project will need to be on a smaller footprint and have lower public funding requirements.

Funding Sources

The City and County of Greenville (each) as well as the State of South Carolina have enacted various taxes that are intended to support tourism developments and activities through different channels. The HSP Team, in coordination with the Client, identified and reviewed funding sources from the City, County and State levels. The following discussion describes each of the three potential funding sources that could be utilized to fund and/or incentivize components of a convention center project.

Hospitality Tax Fund - The City of Greenville enacted a two percent hospitality tax on prepared meals and beverages in the City. The proceeds are to be used for tourist-related activities, improvements, and facilities

as allowed under state law. The following items represent some of the major allocations of the Hospitality tax collection.

- Offset TDCC's operating loss, management and incentive fee, debt service costs, and risk management costs. The amount varies based on the performance of the TDCC, with annual funding of about \$3.2 million for all the expenses noted above.
- Offset operating losses at the Zoo. Since 2010, the Zoo has received between \$400,000 and \$475,000 annually.
- Transfer to General Fund to offset operating expenditures associated with special events and tourism. Allocations to the General Fund are more than \$2 million.
- Fund Capital Projects. Projects include Trail Expansion and City Park Phases. In recent years, funding of capital projects has been more than \$2 million.

Local Accommodations Tax - The City of Greenville collects a local three percent accommodations tax on hotel/motel charges within the city's limits. The three percent accommodations tax is separated into two portions. In 1994, the City of Greenville enacted a local accommodations tax of 2.3 percent. The proceeds of this 2.3 percent are to be used primarily as payment to the Greenville Arena District to repay debt incurred for the construction of the Bon Secours Wellness Arena and are subject to annual appropriation of City Council. In 2004, the City extended the authorization of the local accommodations tax of 0.7 percent. The proceeds of this 0.7 percent are to be used to defray the cost of tourism marketing services, subject to annual appropriation by City Council. The appropriation provides for the distribution of accommodations taxes for tourism marketing services, excluding a four percent collection cost. Per the Code of Ordinances, any excess revenues from the 2.3 percent or 0.7 percent may be used at the City Council's discretion for any use eligible under state law.

The following items represent some of the major allocations of the Local Accommodations Tax collections:

- Funds are transferred to Auditorium District for debt service payments.
- Approximately 22 percent of revenues are transferred to VisitGreenvilleSC.
- Funds TDCC capital improvements and FF&E expenses.

State Accommodations Tax – In 1984, the State of South Carolina enacted a two percent tax imposed on all accommodations in the state. The proceeds must be spent for tourism promotion and tourism-related expenditures. State law provides that a City's State Accommodations revenues be distributed as follows:

- The first \$25,000 must be allocated to the City's General Fund for general purpose use;
- Five percent of the balance must also be allocated to the City's General Fund;
- 30 percent of the balance must be allocated for the purpose of advertising and promotion of tourism; and
- The remaining balance must be used for tourism-related expenditures.
- The City Council adopted a Grant-In-Aid Policy that stipulates the establishment of a City Council reserve for unanticipated events, festivals, and other opportunities. This budget includes \$50,000 for the Council's contingency.

The following table shows the actual revenues and expenditures for each source.

Table 7

Expenditures by Revenue Source (net of bond proceeds or refundings)							
Fund Collections	2010	2011	2012	2013	2014	2015 Budget	Change
City Hospitality Tax							
Tax Revenue	\$6,059,401	\$6,571,109	\$7,088,246	\$7,815,817	\$8,482,537	\$8,695,320	44%
Other Misc Revenue	\$168,108	\$96,611	\$53,197	\$30,383	\$16,388	\$15,580	-91%
Total	\$6,227,509	\$6,667,720	\$7,141,443	\$7,846,200	\$8,498,925	\$8,710,900	40%
Expenditures							
Miscellaneous Grants	\$0	\$2,425	\$0	\$1,019	\$0	\$0	n/a
Debt Service	\$2,252,293	\$1,124,638	\$2,447,970	\$2,197,224	\$2,341,125	\$2,348,553	4%
<i>TD Convention Center</i>	<i>\$807,340</i>	<i>\$2,184,219</i>	<i>\$853,959</i>	<i>\$1,142,321</i>	<i>\$658,915</i>	<i>\$946,953</i>	<i>17%</i>
<i>Capital Projects Fund</i>	<i>\$150,000</i>	<i>\$2,022,555</i>	<i>\$707,476</i>	<i>\$1,193,981</i>	<i>\$2,581,000</i>	<i>\$2,475,000</i>	<i>1550%</i>
Parking Fund	\$0	\$0	\$557,000	\$0	\$48,000	\$0	n/a
Zoo Enterprise Fund	\$475,000	\$475,000	\$475,000	\$457,417	\$395,127	\$395,127	-17%
<i>General Fund</i>	<i>\$2,174,927</i>	<i>\$2,226,399</i>	<i>\$2,374,921</i>	<i>\$2,490,607</i>	<i>\$2,500,531</i>	<i>\$2,636,347</i>	<i>21%</i>
Total	\$5,859,560	\$8,035,236	\$7,416,326	\$7,482,569	\$8,524,698	\$8,801,980	50%
Net	\$367,949	(\$1,367,516)	(\$274,883)	\$363,631	(\$25,773)	(\$91,080)	
City Accommodations Tax							
Tax Revenue	\$1,710,651	\$2,015,881	\$2,253,925	\$2,396,064	\$2,802,132	\$2,772,900	62%
Other Misc Revenue	\$556	\$6,048	\$283	\$68	\$189	\$100	-82%
Total	\$1,711,207	\$2,021,929	\$2,254,208	\$2,396,132	\$2,802,321	\$2,773,000	62%
Expenditures							
Auditorium District	\$1,180,388	\$1,076,489	\$1,116,868	\$1,562,303	\$1,209,794	\$1,226,555	4%
CVB	\$383,192	\$452,645	\$504,846	\$532,526	\$632,119	\$621,130	62%
Operating	\$0	\$0	\$0	\$11,085	\$150,000	\$150,000	100%
Transfer to							
<i>General Fund</i>	<i>\$15,966</i>	<i>\$18,860</i>	<i>\$21,035</i>	<i>\$22,189</i>	<i>\$26,338</i>	<i>\$303,116</i>	<i>1799%</i>
Parking Fund	\$0	\$0	\$0	\$0	\$1,229,000	\$0	n/a
TDCC	\$0	\$0	\$0	\$50,000	\$450,000	\$185,000	100%
Total	\$1,579,546	\$1,547,994	\$1,642,749	\$2,178,103	\$3,697,251	\$2,485,801	57%
Net	\$131,661	\$473,935	\$611,459	\$218,029	(\$894,930)	\$287,199	
State Hospitality Tax							
Tax Revenue	\$1,049,375	\$1,240,425	\$1,355,081	\$1,644,141	\$1,817,424	\$1,821,000	74%
Other Misc Revenue	\$793	\$532	\$824	\$735	\$1,009	\$0	-100%
Total	\$1,050,168	\$1,240,957	\$1,355,905	\$1,644,876	\$1,818,433	\$1,821,000	73%
Expenditures							
Transfer to General Fund	\$235,692	\$247,417	\$241,504	\$255,957	\$114,621	\$114,800	-51%
Transfer to Hospitality Tax Fund	\$50,000	\$50,000	\$50,000	\$50,000	\$0	\$0	-100%
City Council Reserve - Grant-In-Aid Policy	\$19,000	\$20,000	\$33,000	\$50,000	\$35,000	\$50,000	163%
<i>Tourism Promotions - CVB</i>	<i>\$307,312</i>	<i>\$364,627</i>	<i>\$399,025</i>	<i>\$485,742</i>	<i>\$537,728</i>	<i>\$538,800</i>	<i>75%</i>
<i>Tourism Projects</i>	<i>\$437,370</i>	<i>\$513,700</i>	<i>\$601,250</i>	<i>\$578,750</i>	<i>\$869,341</i>	<i>\$1,200,000</i>	<i>174%</i>
Total	\$1,049,374	\$1,195,744	\$1,324,779	\$1,420,449	\$1,556,690	\$1,903,600	81%
Net	\$794	\$45,213	\$31,126	\$224,427	\$261,743	(\$82,600)	

Source: City of Greenville, Hunden Strategic Partners

As shown, the funding sources have increased significantly over time (by approximately \$4 million over the period) due to increasing hotel tax performance. However, the expenditures have increased just as quickly, especially on the General Fund, the CVB and related tourism promotion and projects. If commitments to these items are frozen or reduced, and if hotel tax revenues continue to increase (which seems very likely given the number of new hotels in process), the community could have enough proven revenue sources to fund a significant project.

Projections

The next table shows a summary of expected performance of the hotel.

Table 8

Performance Projections - 450-Room Convention Hotel				
Year	Average Daily Rate	Occupancy	Revenue per Available Room	Annual Increase
Year 1	\$198	50%	\$99	--
Year 2	\$196	62%	\$121	22.3%
Year 3	\$195	69%	\$135	12.4%
Year 4	\$199	72%	\$143	5.9%
Year 5	\$204	74%	\$150	4.8%
Year 6	\$209	74%	\$154	2.5%
Year 7	\$215	74%	\$158	2.5%
Year 8	\$220	74%	\$162	2.5%
Year 9	\$225	74%	\$166	2.5%
Year 10	\$231	74%	\$170	2.5%

Source: Hunden Strategic Partners

Average daily rate is expected to increase from \$198 to \$231 over the period, while occupancy is expected to begin at 50 percent and increase to 74 percent, leading to RevPAR of \$99 in the first year, increasing to \$170 by the tenth year. As mentioned, many factors can impact performance, especially economic recessions and a collapse in a large local industry.

Understanding how the hotel will perform internally is as important to the feasibility as the external occupancy and rate projections. The next table shows the performance of the proposed hotel based on a number of assumptions about the property.

The figures are shown as earned (cash basis) and in nominal amounts, not discounted. PAR stands for “per available room” and are shown on an annual basis and POR stands for “per occupied room” and are shown on a per night basis.

Table 9

Projection of Income & Expense: 450-Room Hotel - (in \$000, inflated)											
	Year 1				Year 2	Year 3	Year 4		Year 5		Year 10
Room Count	450				450	450	450		450		450
Available Room Nights	164,250				164,250	164,250	164,250		164,250		164,250
Occupancy Rates	50%				62%	69%	72%		74%		74%
Occupied Room Nights	81,576				101,067	113,803	118,151		120,870		120,870
Average Daily Rate	\$198				\$196	\$195	\$199		\$204		\$231
RevPAR	\$99				\$121	\$135	\$143		\$150		\$170
Percent of Change from Prior Year	--				22.3%	12.4%	5.9%		4.8%		2.5%
	\$	%	PAR	POR	\$	\$	\$	%	\$	%	
REVENUE											
Rooms	\$16,185	54.3%	\$35,968	\$198	\$19,794	\$22,241	\$23,563	54.0%	\$24,690	54.0%	\$27,935
Hotel Food and Beverage	11,531	38.7%	\$25,625	\$141	14,154	15,963	16,974	38.9%	17,786	38.9%	20,123
Telephone	24	0.1%	\$53	\$0	29	33	35	0.1%	37	0.1%	41
Other Operated Departments	857	2.9%	\$1,904	\$11	1,052	1,186	1,261	2.9%	1,321	2.9%	1,495
Parking & Transportation	747	2.5%	\$1,653	\$9	910	1,026	1,091	2.5%	1,143	2.5%	1,293
Rentals and Other Income	474	1.6%	\$1,054	\$6	582	657	698	1.6%	732	1.6%	896
Total Revenue	\$29,818	100.0%	\$66,262	\$366	\$36,521	\$41,106	\$43,621	100.0%	\$45,709	100.0%	\$51,784
DEPARTMENTAL EXPENSES											
Rooms	\$4,678	28.9%	\$10,395	\$57	\$5,325	\$5,783	\$6,126	26.0%	\$6,420	26.0%	\$7,263
Hotel Food and Beverage	7,726	67.0%	\$17,169	\$95	9,200	10,376	10,863	64.0%	11,383	64.0%	12,879
Telephone	190	800.0%	\$422	\$2	233	263	279	800.0%	293	800.0%	331
Other Operated Departments	146	17.0%	\$324	\$2	158	178	189	15.0%	198	15.0%	224
Parking & Transportation	164	17.0%	\$365	\$2	155	154	164	15.0%	171	15.0%	194
Rent and Other Income	33	7.0%	\$74	\$0	29	33	35	5.0%	37	5.0%	45
Total Departmental Expenses	\$12,936	43.4%	\$28,748	\$159	\$15,099	\$16,786	\$17,656	40.5%	\$18,502	40.5%	\$20,936
Gross Operating Income	\$16,882	57.2%	\$37,515	\$207	\$21,422	\$24,320	\$25,965	59.5%	\$27,208	59.5%	\$30,848
UNDISTRIBUTED OPERATING EXPENSES											
Administrative and General	\$3,220	10.8%	\$7,156	\$39	\$3,579	\$3,823	\$4,013	9.2%	\$4,205	9.2%	\$4,764
Marketing	\$2,833	9.5%	\$6,295	\$35	\$3,104	\$3,371	\$3,533	8.1%	\$3,702	8.1%	\$4,194
Utility Costs	\$1,908	6.4%	\$4,241	\$23	\$1,972	\$2,096	\$2,225	5.1%	\$2,331	5.1%	\$2,641
Property Operations and Maintenance	\$1,819	6.1%	\$4,042	\$22	\$1,863	\$1,973	\$2,094	4.8%	\$2,194	4.8%	\$2,486
Total Undistributed Expenses	\$9,780	32.8%	\$21,734	\$120	\$10,518	\$11,263	\$11,865	27.2%	\$12,433	27.2%	\$14,085
Gross Operating Profit	\$7,101	23.8%	\$15,781	\$87	\$10,904	\$13,057	\$14,100	32.3%	\$14,775	32.3%	\$16,762
Franchise Fees	\$1,461	4.9%	\$3,247	\$18	\$1,790	\$2,014	\$2,137	4.9%	\$2,240	4.9%	\$2,537
FIXED EXPENSES											
Property Taxes	\$270	0.9%	\$600	\$3	279	442	528	1.2%	569	1.2%	656
Insurance	447	1.5%	\$994	\$5	511	534	567	1.3%	594	1.3%	673
Management Fee	954	3.2%	\$2,120	\$12	1,169	1,315	1,396	3.2%	1,463	3.2%	1,657
Reserve for Replacement	\$298	1.0%	\$663	\$4	\$548	\$822	\$1,745	4.0%	\$1,828	4.0%	\$2,071
Total Fixed Expenses	\$1,970	6.6%	\$4,377	\$24	\$2,507	\$3,114	\$4,236	9.7%	\$4,454	9.7%	\$5,058
Cash Flow from Operations	\$3,671	12.3%	\$8,157	\$45	\$6,607	\$7,928	\$7,726	17.7%	\$8,081	17.7%	\$9,167

Source: Hunden Strategic Partners

The property is projected to generate a total of nearly \$30 million in gross revenue in the first year, increasing to nearly \$46 million in the fifth year. Approximately \$3.7 million would be available to satisfy debt and equity requirements in the first year (12.3 percent of gross revenue), increasing to \$8.1 million in the fifth year (17.7 percent of gross revenue).

Supportable Equity and Debt

The cash flows of a hotel are used to repay bank loans and investor equity. Banks have a variety of rules or guidelines for providing loans for hotels and these vary from year to year, from cycle to cycle. Currently, these

guidelines are slowly becoming less stringent than they were over the past few years. Many banks had bad hotel loans on their books and so are not anxious to repeat history with new, risky loans. As such, the loan-to-value amounts were reduced, coverage ratios increased and required equity increased. The hotels must be branded in order to receive a loan. These restrictions have moderated as the industry has become healthy again.

The model used by HSP assumes the following:

- 1.4x minimum debt service coverage in every year beginning in Year 2.
- No more than 75 percent loan to cost.
- Loan interest rate of 4.8 percent based on excellent borrower credit.
- Refinance after stabilization at 500 basis points lower than the construction loan.
- Construction mini-term upfront, which funds construction for up to two years and the first three years of operations (construction should take no more than 12 months).
- Equity required return of 18 percent averaged over ten years.

The supportable equity and debt is shown in the table below.

Table 10

Table 10												
Financing Assumptions												
	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	\$0	\$0	\$3,671	\$6,607	\$7,928	\$7,726	\$8,081	\$8,307	\$8,513	\$8,725	\$8,879	\$9,167
Interest and Debt Reserve W/D	\$816	\$2,448	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$816	\$2,448	\$3,671	\$6,607	\$7,928	\$7,726	\$8,081	\$8,307	\$8,513	\$8,725	\$8,879	\$9,167
Debt Service Payment	(\$816)	(\$2,448)	(\$4,729)	(\$4,729)	(\$4,729)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)
Net Income to Repay Equity	\$0	\$0	(\$1,058)	\$1,879	\$3,200	\$3,539	\$3,893	\$4,120	\$4,325	\$4,537	\$4,692	\$4,980
Princ. Amount***	\$17,000	\$51,000	\$68,000	\$66,535	\$65,001	\$63,390	\$61,928	\$60,404	\$58,814	\$57,155	\$55,426	\$53,622
Interest	\$816	\$2,448	\$3,264	\$3,194	\$3,120	\$2,726	\$2,663	\$2,597	\$2,529	\$2,458	\$2,383	\$2,306
Less Payment	(\$816)	(\$2,448)	(\$4,729)	(\$4,729)	(\$4,729)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)
Loan Balance	\$17,000	\$51,000	\$66,535	\$65,001	\$63,392	\$61,928	\$60,404	\$58,814	\$57,155	\$55,426	\$53,622	\$51,740
Assumptions						Refi						
Loan Amount (\$000's)	\$68,000					\$63,390						
Amortization Period (Years)	25					25						
Loan Interest Rate	4.8%					4.3%						
Annual Debt Service Payment (\$000's)	(\$4,729)					(\$4,187)						
Equity:												
Developer's Equity (\$000's)	\$20,000	15%										
Private Debt	\$68,000	50%										
Total Private Financing	\$88,000	65%	\$195,556	per room								
Gap/Subsidy	\$47,000	35%										
Project Amount (\$000's)	\$135,000	100%	\$300,000	per room								
Debt (Private) Coverage Ratio			0.78	1.40	1.68	1.85	1.93	1.98	2.03	2.08	2.12	2.19
Return on Private Equity*			-5.3%	9.4%	16.0%	17.7%	19.5%	20.6%	21.6%	22.7%	23.5%	24.9%
Return on Assets**			2.7%	4.9%	5.9%	5.7%	6.0%	6.2%	6.3%	6.5%	6.6%	6.8%
*On developer's equity only.												
**On project cost.												
***Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2												
Source: Hunden Strategic Partners												

In this model, the supportable project cost is \$196,000 per room or approximately \$88 million. Supportable debt is \$68 million, or 50 percent of project cost, assumed to be \$135 million. Supportable equity is \$20 million, unless the developer is willing to take less than a 15 percent return, in which case it could increase.

There is a financing gap for this hotel of \$47 million, or 35 percent of cost. The public sector would likely need to assist a developer with this gap.

The project is an economic development project for the city and county and will induce group and event activity to the community (as well as their spending) that does not exist today. However, in order to achieve that result, significant public investment will likely be required.

Economic, Fiscal & Employment Impact Analysis

The incremental impact of the recommended Project, which includes the convention hotel and spin-off spending from new and recaptured visitors, will increase economic activity and will result in higher fiscal activity, income and employment for the Greenville economy.

HSP uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the Greenville economy due to additional inputs. For example, for every dollar of direct new spending in Greenville, the IMPLAN model provides multipliers for the indirect and induced spending that will result.

The following table shows the summary of estimated ten-year impacts for the Project.

Table 11

Summary of 10-Year Impacts	
Net New Spending	(millions)
Direct	\$327
Indirect	\$98
Induced	\$69
Total	\$494
Net New Earnings	(millions)
From Direct	\$112
From Indirect	\$32
From Induced	\$21
Total	\$166
Net New FTE Jobs	Actual
From Direct	269
From Indirect	84
From Induced	52
Total	406
Local Taxes Collected	(millions)
City Hospitality Tax - F&B (2%)	\$2.1
City Accommodations Tax (3%)	\$5.5
State Hospitality Tax to Local (2%)	\$3.7
Total	\$11.3
Construction Impact	(millions)
New Materials Spending	\$70.7
New Labor Spending	\$81.0
Job-Years, Actual	1,500
Source: Hunden Strategic Partners	

The net new spending for the Project totals \$494 million over the period, \$166 million in new earnings, 406 new full-time equivalent jobs and nearly \$9.2 million in new taxes collected from the ongoing spending over 30 years. The construction impact will be more than \$151 million on materials and labor, most of which will accrue to the local economy and local workers. The 1,500 job-years will be a temporary boon for the local economy.

Limiting Conditions

HSP relied on primary and secondary sources of information for the assumptions made in this report and assumes these sources to be accurate. Assumptions created for the analysis were based on the data available to HSP during the study period as well as professional judgment.

The Project is assumed to be owned and operated in a first-class manner by the parties who have operated similar facilities.

No responsibility is taken for unforeseen events occurring after the date of the analysis, including war and terror attacks, natural disasters and major economic recessions.

This report is intended to be used as a tool for decision-making by the contracting parties related to this Project and for no other purpose.

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ECONOMIC & DEMOGRAPHIC ANALYSIS

Local market area characteristics such as population, demographics, a diversified economy, access, quality of downtown and tourist attractions influence the potential demand for convention center and hotel developments. This chapter profiles Greenville, including an overview of the economic characteristics of the metropolitan market, as well as a description of local attractions.

The following figure shows a map of the city of Greenville and its immediate suburbs.

Figure 1-1





As shown, Greenville is bordered on the south by the heavily traveled Interstate 85, with spur highways I-85 looping the southern suburbs, and I-385 connecting I-26 to downtown Greenville. The area is commonly referred to as the Upcountry or the Upstate of South Carolina. Despite not containing a single large city over 65,000 people, the Greenville-Spartanburg-Anderson metropolitan area, including Clemson and nearly the entire I-85 route in South Carolina, is the state's largest metropolitan area, a good deal larger than either Columbia or Charleston metropolitan areas. Greenville is the center of the Combined Metropolitan Area that is home to 1,385,000 people.

Regional Access

Greenville is located on the Interstate 85 corridor approximately halfway between Atlanta and Charlotte. The northern terminus of Interstate 385 is located downtown and the other end connects Greenville with mainline trunk highway I-26 to the southeast, leading traffic towards Columbia and I-95. The area is also served by Interstate 185, which is a kind of southern suburban area loop or bypass. US Highway 123 heads west to Clemson University. Other major highways include US 25, US 29 and US 279. US 25 and 279 both head north, taking residents into the Appalachian Mountains and towards Asheville, North Carolina.

Airport Access

There are several airports servicing the Greenville area. The largest in the region, Greenville-Spartanburg International Airport, is the second busiest in the state and is served by most major airlines. It is located near Greer, SC, midway between Greenville and Spartanburg. The airport had approximately 1.82 million passengers in 2013. It opened in 1962 replacing Greenville Downtown Airport as the primary airline destination in the region. In the 1980s GSP expanded its terminal and cargo facilities and the runway was lengthened twice during the 1990s. Local officials attribute Southwest Airlines' presence to an unprecedented 38 percent growth in passenger figures between 2010 and 2011. In 2011 GSP received an ANNIE award from Airline and Airport News & Analysis for being the fastest-growing small airport in the United States. In 2012 the US Department of Transportation's Bureau of Travel Statistics reported that average fares from GSP decreased by 14 percent, which was the largest decrease in the country.

GSP is serviced by six airlines and their regional affiliates. All service is domestic, though there have been suggestions that international flights could be added.

- Allegiant Air
- American Eagle
- Delta Air Lines
- Delta Connection
- Southwest Airlines
- United Express

Because the Greenville-Spartanburg International Airport is still a small airport with limited direct flight destinations, most business travelers use the Charlotte International Airport, which is only a 96-mile, or a 1.5-

hour drive from downtown Greenville. Atlanta's airport is the busiest and best-connected airport in North America and is a 2-hour 45-minute drive from Greenville. This lack of direct air connectivity and overall lift is a limiting factor for a convention center in Greenville. While there are many convention centers located in cities with limited air access, they have trouble drawing groups beyond the drive-in market.

Population

A strong population base is important to the success and demand of any convention center or hotel project because a share of its users will be a result of friends and family of area residents, as well as those related to the many businesses that the Greenville area supports. A growing population typically signals the opportunity for additional sustainable hotel and meeting facility development as well.

The table below shows population changes in the United States, South Carolina, the MSA, Greenville County and Greenville.

Table 1-1

Population and Growth Rates					
	Population				Percent Change
	1990	2000	2010	2014 Estimate	2000 - 2010
United States	248,709,873	281,421,906	308,745,538	318,857,056	9.7%
State of South Carolina	3,486,703	4,012,012	4,625,364	4,832,482	15.3%
Greenville-Anderson-Mauldin MSA	617,332	725,680	824,112	862,463	13.6%
Greenville County	320,167	379,616	451,225	482,752	18.9%
City of Greenville	58,282	56,002	58,409	62,252	4.3%
City Pop. As % of MSA	9.4%	7.7%	7.1%	7.2%	--

Source: U.S. Census Bureau

The U.S. population grew by 9.7 percent from 2000 to 2010, while the Greenville-Anderson-Mauldin MSA grew by 13.6 percent. During the same period, South Carolina's population increased by 15.3 percent. The City of Greenville experienced a population increase of 4.3 percent from 2000 to 2010 and Greenville County also had a population increase of 18.9 percent. Greenville's population as a percentage of the MSA has declined slightly from 9.4 percent in 1990 to 7.2 percent in 2014. However, the overall population of the MSA and state is where the focus should be when considering the market for meetings and conventions. These markets continue to grow, creating more demand for meeting and event space.

Diversified Economy

A healthy and diversified economy provides not only employment and disposable income for a market's residents, but it also helps to insulate an area from economic downturns. Markets that have historically relied on one sector, such as manufacturing, have often had difficulty recovering from market shifts to other sectors, which lead to an overall loss of local income and employment. This situation will often lead to declining population trends, as residents move to other areas with better opportunities.

The table below shows how the city and the larger MSA employment total is diversified.

Table 1-2

Greenville County Employment by Industry - 2013		
Description	Employees	Percentage of Total
Total employment	314,236	100%
By industry		
Farm employment	1,113	0.35%
Nonfarm employment	313,123	99.65%
Private nonfarm employment	281,094	89.45%
Administrative and management services	40,435	12.87%
Retail trade	31,149	9.91%
Manufacturing	30,267	9.63%
Health care and social assistance	25,411	8.09%
Accommodation and food services	22,888	7.28%
Professional, scientific, and technical services	21,756	6.92%
Other services, except public administration	16,812	5.35%
Wholesale trade	15,531	4.94%
Construction	15,502	4.93%
Finance and insurance	14,333	4.56%
Real estate and rental and leasing	12,300	3.91%
Educational services	7,891	2.51%
Transportation and warehousing	7,698	2.45%
Information	6,917	2.20%
Arts, entertainment, and recreation	6,357	2.02%
Management of companies and enterprises	4,828	1.54%
Utilities	374	0.12%
Mining	332	0.11%
Forestry, fishing, and related activities	313	0.10%
Government and government enterprises	32,029	10.19%
State and local	28,223	8.98%
Local government	24,809	7.90%
State government	3,414	1.09%
Federal, civilian	1,808	0.58%
Military	1,998	0.64%

(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals

Source: Bureau of Economic Analysis, Hunden Strategic Partners

As shown, Greenville County has four primary industries. Administrative and waste management services is the top industry by employment, accounting for 12.9 percent of total employment, followed by retail trade with 9.1 percent and by manufacturing with 9.6 percent. Health care and social assistance follows with 8.1 percent. All government employment totals just over ten percent, a relatively low figure.

Income and Housing

The depth and strength of a market's employment base and income levels is an indicator of its ability to support tourism and event facilities, which in turn drive the demand at nearby airports. Indicators of a market's overall wealth and growth can include trends in its income and employment.

The following table provides data on home ownership, income and retail sales, based on the latest data from the US Census Bureau.

Table 1-2

Income, Spending and Other Demographic Data				
Category	United States	South Carolina	Greenville County	Greenville
Homeownership rate, 2009-2013	64.9%	69.1%	67.0%	45.1%
Median value of owner-occupied housing units, 2009-2013	\$176,700	\$137,400	\$153,600	\$200,500
Persons per household, 2009-2013	2.63	2.55	2.56	2.16
Median household income, 2009-2013	\$53,046	\$44,779	\$49,022	\$40,793
Persons below poverty level, percent, 2009-2013	15.4%	18.1%	15.8%	20.0%
Private nonfarm employment, 2012	115,938,468	1,583,213	212,945	--
Private nonfarm employment, percent change, 2011-2012	2.2%	2.2%	1.4%	--
Retail sales per capita, 2007	\$12,990	\$12,273	\$13,999	\$39,829

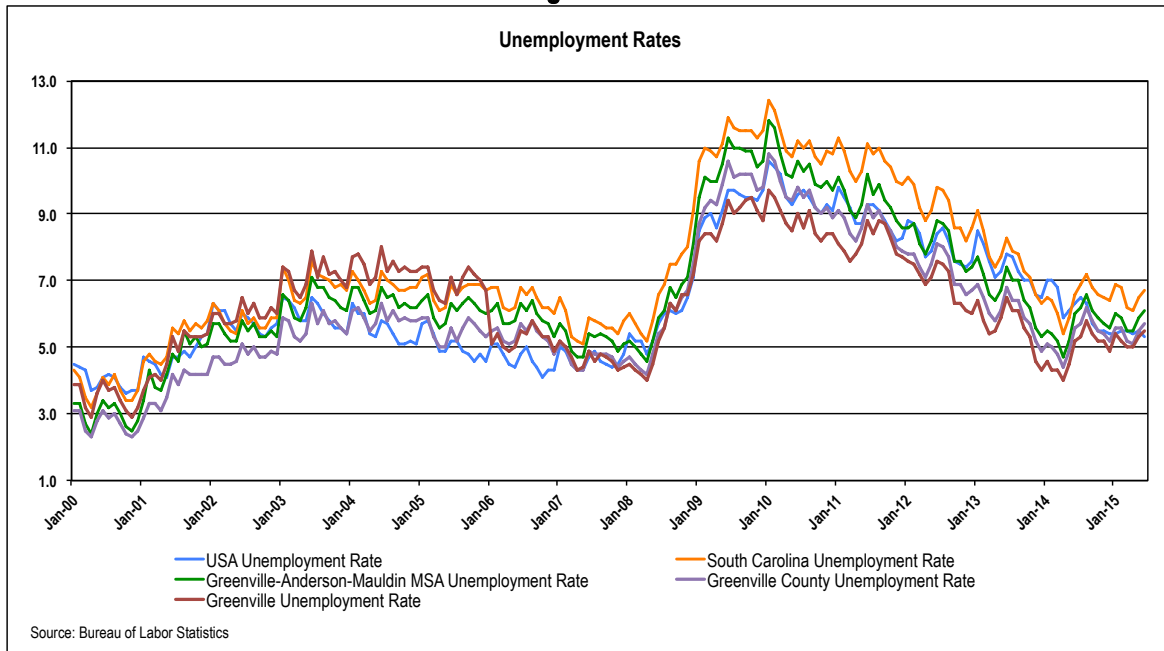
Source: US Census Bureau

The homeownership rates in the city are below the national average. However, both the county and state homeownership rates are higher than that of the national average. The median home value in Greenville is \$200,500 and approximately \$153,600 in Greenville County. Home values in Greenville are approximately \$24,000 above the national average and home values in Greenville County are approximately \$23,000 below the national average. Both the City and the County have higher poverty rates than the national rate. Greenville and Greenville County also have median household incomes below the national average. The median income in Greenville is just over \$40,000, which is below the state median of \$44,779.

Unemployment

The following figure shows the unemployment rate in the City, County, State and MSA in comparison to the national unemployment rate. High unemployment relative to the nation indicates there may be chronic economic structural concerns such as low education rates and mismatched industry and employment resources. A city dominated by one industry type may also see chronic unemployment levels higher than the nation as a whole. Cities with balanced economies, tend to weather economic downturns better and have unemployment rates that generally mimic the U.S. level.

Figure 1-2



As seen above, the County, MSA and the state all have unemployment rates that have trended above that of the national average. Greenville's unemployment rate was higher than that of the national average, but in the last eight years it has declined and has been trending lower than the national average.

Corporate Presence & Major Employers

In general, a market's corporations will provide a base of demand for event and hotel services, as they continually require travel, host events and entertain clients.

The following table shows the largest employers in Greenville, by number of full-time employees.

Table 1-3

Greenville Major Employers		
Company Name	Industry	# of Employees
Greenville Health System	Health Services	12,700
School District of Greenville County	Public Education	9,580
Bon Secours St Francis Health System	Health Services	5,047
Michelin North America	Manufacturing	4,000
GE Power & Water	Generators	3,400
Fluor Corporation	Construction Services	2,260
Bi-Lo Supermarkets	Retail	2,089
US Government	Government	1,835
Greenville County Government	Government	1,771
Greenville Technical College	Higher Education	1,400
Sealed Air Corp	Packaging	1,300
Verizon Wireless	Telecommunications	1,200
Synnex Corp	Technology Solutions	1,055
City of Greenville	Government	979
Windstream	Telecommunications	953
Bob Jones University	Higher Education	948
Furman University	Higher Education	877
House of Raeford	Poultry Processing	825
TD Bank	Financial Services	750
Lockheed Martin Aircraft & Logistics	Aircraft Component Machining	700
Drive Automotive	Automotive Body Parts	700
Mitsubishi Polyester Film, LLC	Unsupported Plastic film and sheets	700
Nutra Mfg, USA	Vitamins and Supplements	660
Honeywell	Generators	645
Bosch Rexroth Corporation	Fluid Power Pumps and Motors	640
AT&T	Communications	600
Scan Source	Computer and Software Wholesalers	600
Samsung Networks America, Inc	Customer Service Center	550
Hartness International, Inc	Packaging Machinery	500
BB&T	Financial Services	500
Resurgent Capital Services	Financial Customer Care Center	500
Sloan Construction	Hot Mix Asphalt	500

Source: Fortune 500, local chambers of commerce

Greenville Health System is the largest employer in the area employing 12,700 people. The School District of Greenville County and Bon Secours St Francis Health System are also in the top three employers. The health care and education industries employ the most number of people. The health care industry employs 17,747 people. The education industry employs 12,805.

Higher Education

Higher education institutions create event and hotel demand due to the numerous invited personnel as well as friends and family of students. Colleges also create demand for events, from graduation parties and events to various meetings. Heavy populations of enrolled students suggest that the market will continue to reap the benefits of a more innovative and educated workforce.

The following table shows the academic institutions within 25 miles of Greenville.

Table 1-5

Greenville Area Colleges and Universities				
Institution	Location	Distance from Downtown (miles)	Highest Degree Offered	Enrollment
Bob Jones University	Greenville	0.0	Doctorate	3,108
Brown Mackie College-Greenville	Greenville	4.5	Bachelors	708
ITT Technical Institute-Greenville	Greenville	6.2	Bachelors	269
Greenville Technical College	Greenville	6.9	Associates	12,592
Strayer University-South Carolina	Greenville	6.9	Masters	1,991
Virginia College-Greenville	Greenville	6.9	Associates	453
North Greenville University	Tigerville	10.9	Doctorate	2,569
Furman University	Greenville	13.7	Masters	2,973
Blue Ridge Community College	Flat Rock	24.9	Associates	2,215
Grand Total				26,878

Source: National Center for Education Statistics

Greenville has nine higher education institutions within 25 miles. Together there are almost 27,000 people enrolled in the various institutions. Bob Jones University, with an enrollment of 3,108 students is the closet institution, located near downtown Greenville. Greenville Technical College is the largest higher education institution in the area with an enrollment of 12,592 students, located seven miles from downtown.

The area's largest university is Clemson University in Clemson, South Carolina, 29 miles to the west of Greenville and within the metropolitan area. It is also the area's most famous university, spending much of the 2015-2016 season ranked as the nation's #1 football team and playing in the College Football National Championship in 2016. Clemson enrolls 22,700 students.

Educational Attainment

The level of education in a community is generally linked to income potential and hence, disposable income and long-term growth. Highly educated people have more choices in their decision to choose employment and locate themselves and their families. The higher the education level, the stronger the labor market and the more disposable income that is available to spend on recreational activities, such as travel.

The following table shows the education attainment levels in the area.

Table 1-6

Highest Education Level Attained			
Population Age 25+	United States	South Carolina	Greenville
Did Not Complete High School	7.6%	9.30%	8.8%
Completed High School	27.8%	29.4%	21.2%
Some College	21.1%	21.3%	18.9%
Completed Associate Degree	8.1%	8.9%	6.9%
Completed Bachelor Degree	18.4%	16.6%	23.2%
Completed Graduate Degree	11.2%	9.5%	16.4%

Source: U.S. Census Bureau

The percentage of the population in Greenville that has attained a Bachelor's Degree is 23.2 percent. This is nearly five percentage points higher than the national attainment level and approximately seven percentage points higher than the state level. Greenville also boasts the highest percentage of population with graduate degrees between the city, state and U.S. This is a strong indication of future local growth and indicates a population with disposable income.

Downtown Development and Related Tourism and Notoriety

The brightest star in the South Carolina Upcountry is Greenville's vibrant downtown scene. A myriad of museums, parks, and sporting facilities surround and integrate with the core of downtown's offices, shops and restaurants on Main Street.

It was not always that way. Developing downtown into a top attraction in the Southeast began with the visionary Max Heller, Greenville's mayor from 1971 through 1979, along with private sector leaders. Like many cities in the 1960s and into the 70s, suburban development left the inner city partly empty and blighted. He sought to make the city more modern and progressive in its city government and focused on the revitalization of downtown Greenville. Mayor Heller began this growth trajectory in part by establishing the Greenville County Museum of Art, the Hughes Library, and rebuilding Main Street as a pedestrian-friendly street thickly lined with tall shade trees. Other museums, such as the Children's Museum and History Museum have accompanied the Museum of Art in more recent years, creating a sort of high-culture district north of downtown, within walking distance of Main Street.

Mayor Heller oversaw the reconstruction of Main Street in the mid 1970s. Main Street was converted into a two-way, two-lane street to better allow vehicular access, while at the same time, calming and slowing the traffic and adding wide, heavily landscaped sidewalks. The thickly planted shade trees along five blocks of Main Street were allowed to grow over the past four decades, creating the effect of a virtual forest amid the downtown buildings. In most cases the trees are now far taller than the buildings, helping to alleviate the summertime urban heat. It also creates a street and sidewalk shade canopy that is attractive to shoppers and cafes with outdoor seating areas. In subsequent years, adjacent downtown streets followed suit, in that newly developed hotels and buildings have added to the popular greenery. The result is a sort of classic college-town feel that today features over 100, mostly independent restaurants of a rich variety, along with modern and independent retail, offices, and a growing assortment of hotels. The city has earned a reputation as a



favorite destination for “foodies” and is therefore seen as a downtown with an enviable social and culinary culture. Everything from tea-houses and coffee shops and bakeries, to nightclubs to brewpubs have added to the downtown scene as well.

The following figures show a map of downtown and the tree-lined Main Street.



Figure 1-3

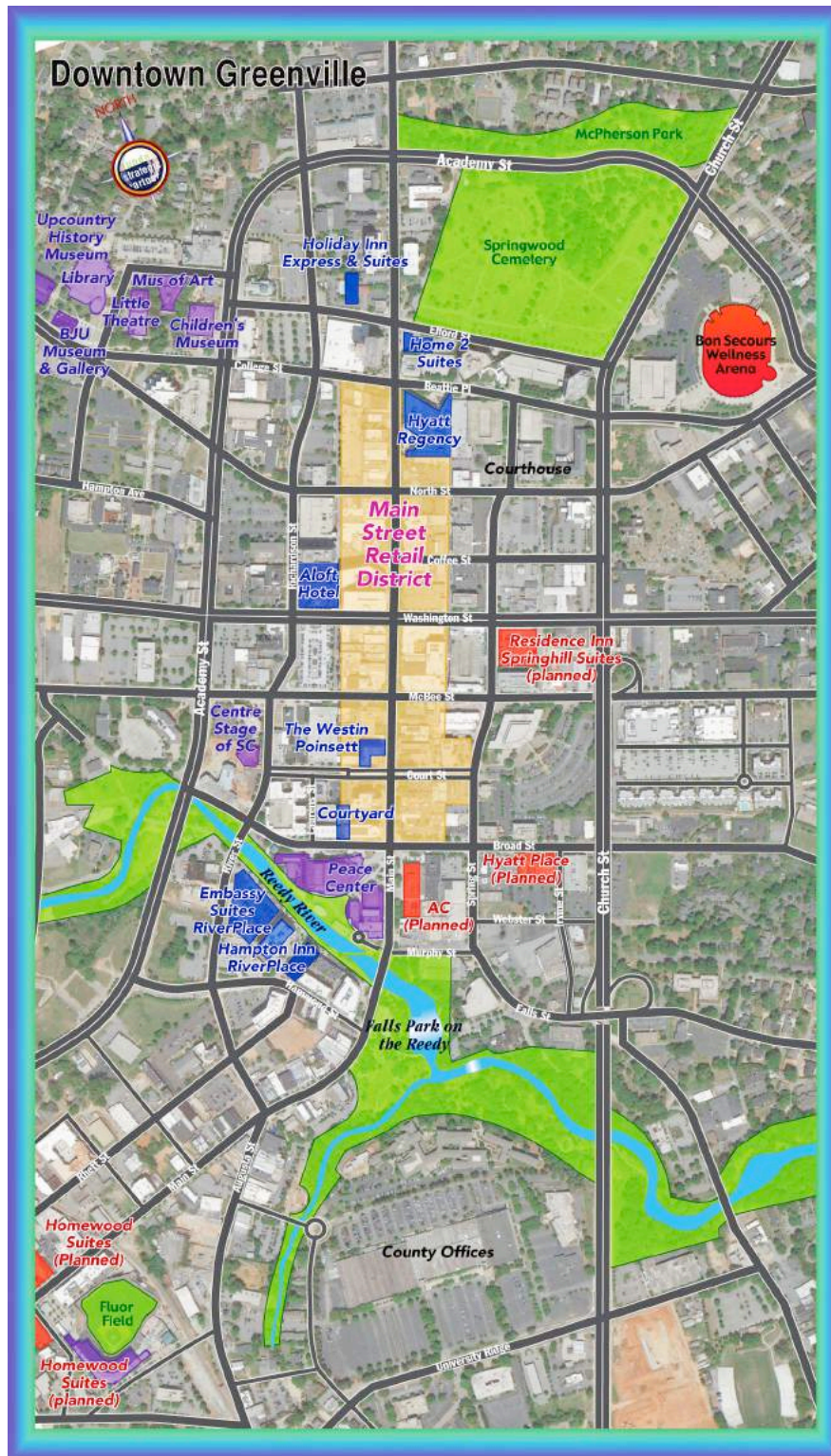


Figure 1-4



At the southwest end of downtown is the popular Falls Park on the Reedy River with footpath bridges, woods, recreational paths and a picturesque waterfall with cascades, a site that draws thousands of visitors year round. It has been a consistent attraction in Greenville's downtown and a point of pride amongst its citizens. Upstream from the falls, the Reedy River has an urban canal-like setting called RiverPlace with two new large hotels, the Hampton Inn and Suites and the Embassy Suites, flanking the river's edge. Across the river is the Peace Center, a 1990 complex housing many performance halls for four resident arts companies and major touring shows. Taking advantage of the site on the Reedy River is the four-year old TD Stage, a small downtown amphitheater with room for 1,400 on a terraced lawn overlooking the river. The extension of the green belt from Falls Park upstream to create the urban parkland in River Place is a clever way of extending Greenville's brand of blending the natural environment with the urban fabric, as well as extending the physical boundaries of downtown development.

The following figures show Falls Park on the Reedy and RiverPlace.

Figure 1-5



Figure 1-6



In 1989, at the northeastern end of downtown, the city's 15,000-seat arena now called the Bon Secours Wellness Arena opened about three blocks from Main Street. It is home to large-scale entertainment such as sports and concerts, including the home of the 2015-16 Clemson Tigers Men's NCAA basketball team and the East Coast Hockey League's Swamp Rabbits. Anchoring the West End of downtown stands the 5,700-seat Fluor Field, opened in 2006, and home of the Red Sox. Ancillary development, including apartments and restaurants, has occurred around the stadium since it opened a decade ago. It also stretched the city's traditional downtown district length from a half mile to a mile, opening up more buildings and real estate to a higher economic level of commercial and residential development.

The following figure shows a street festival and Fluor Field with nearby development.

Figure 1-7



Figure 1-8





Greenville lies in the center of the Piedmont Atlantic region of urban centers, making it easily accessible for a large number of people to reach. It is in a geographically appealing position to be a popular destination because of the rolling hills and surrounding Appalachian Mountains to the north. Greenville's development over the past four decades has set up a symbiotic relationship between the city and the environment. The city's emerging urban amenities, including the recent burst of new hotels, have embraced the area's natural beauty in addition to the downtown buildings' human scale that larger cities replaced long ago with faceless glass and steel skyscrapers. Small two and three-story buildings with or without historic architecture lend themselves very well to the small retail and restaurant experience. For all of the hard edges that urban centers typically feature, the softening effect of all of Main Street's trees and parks amid the downtown core's built environment is such a simple yet robust plan that the city has followed through to its natural blending.

Arts, Culture, Recreation, and Entertainment

A number of local and regional facilities offer arts, culture, recreation and entertainment opportunities that bring visitors to downtown Greenville and the nearby area. The following section identifies the demand generators that define the downtown area in particular, but also including the remainder of Greenville.

Greenville County Museum of Art

Greenville County Museum of Art, home of the Andrew Wyeth Collection, was founded with a significant contribution from local industrialist, Arthur Magill. Southern American and South Carolina-based artists are represented.

Bob Jones University Museum and Gallery

The Bob Jones University Museum and Gallery is located on the Heritage Green Campus and is a satellite campus to the University's museum and gallery on the main campus. Bob Jones, Jr. began collecting European art after World War II on about \$30,000 a year authorized by the University Board of Directors. Fifty years after the opening of the gallery, the BJU collection included more than 400 European paintings from the 14th through the 19th centuries, period furniture and a collection of Russian icons. The museum also includes a variety of Holy Land antiquities collected in the early 20th century.

Live Performances

Greenville is home to the Greenville Symphony Orchestra, Greenville County Youth Orchestra, Carolina Youth Symphony and the Carolina Pops Orchestra. The Peace Center on the Reedy River is the primary performance hall in downtown, while sports and concerts take place in the Bon Secours Wellness Arena.

Greenville Light Opera Works

Greenville Light Opera Works is a professional lyric theater in Greenville that produces musical theater, operetta and opera. It was founded in 2009 by Dr. Christian Elser and Ms. Jenna Tamisiea.



BMW Performance Center

The BMW Performance Center is a state-of-the-art conference center, customer delivery center for BMW vehicles and service, paint and body facility. It also offers driver training courses and aggressive off road lessons.

Falls Park on the Reedy

Falls Park on the Reedy is a 32-acre park adjacent to downtown Greenville in the historic West End district. The park was founded in 1967 and was renovated in the late 1990s. A private charity called the Falls Park Endowment was formed to support ongoing development. The park features a pedestrian bridge that curves around a waterfall on the Reedy River. Named the Liberty Bridge at Falls Park on the Reedy, the suspension bridge is supported by cables on only one side in order to give an unobstructed view of the falls. The park also features a collection of public gardens and is home to the Upstate Shakespeare Festival every summer.

Fluor Field at the West End

Fluor Field in the West End is a 5,700-seat baseball stadium in Greenville. It opened in April of 2006 and was built as the new home of the Greenville Drive baseball team, which is the single-A affiliate of the Boston Red Sox. Fluor Field nearly replicates the dimensions of Fenway Park, to the extent that the ballpark has its own "Green Monster" replica, a 30-foot wall in left field. Fluor Field pays tribute to the Greenville area by utilizing reclaimed bricks from local mills.

Bon Secours Wellness Arena

This arena opened in 1998 and features hockey, basketball, concerts, family shows, and other types of events and sports. It seats 13,700 for hockey, 14,900 for basketball, and up to 16,000 for end-stage concerts. It is located in downtown Greenville and is the home to the Greenville Swamp Rabbits and occasionally the Clemson Tigers men's basketball team.

Paris Mountain State Park

Paris Mountain State Park is located five miles north of Greenville. The park is 1,540 acres and offers hiking, biking, swimming and picnicking. The 13-acre Lake Placid offers swimming and fishing. Canoes, kayaks and pedal boats are seasonally available for rental. The park also features campsites ranging from rustic, back-country sites to paved sites with water and electricity hook-ups.

Greenville County Museum of Art

The Greenville County Museum of Art joins the Children's Museum and Zoo as popular cultural and learning attractions near the downtown area. This museum focuses mainly on American Art.



Greenville Zoo

The compact but popular Greenville Zoo opened in 1960 and is located near downtown Greenville. It sits on a 14-acre site next to Cleveland Park. It is open daily throughout the year except for Thanksgiving, Christmas and New Year's. About 270,000 people visit the zoo's 75-plus different animals annually.

The Children's Museum of the Upstate

The Children's Museum of the Upstate opened in 2009 in downtown Greenville. The museum features 80,000 square feet with three floors housing 18 interactive exhibits. In 2014, the museum was the first children's museum to be named a Smithsonian Affiliate.

Implications

The City of Greenville and the surrounding area are continuing to experience rapid growth. In fact, the metro area has consistently grown at approximately 20 percent every census for as long as records have been kept. While tourism has only begun to be a primary economic driver to this point, Greenville is rapidly becoming a mecca for travelers in the East, becoming a favorite conference and corporate getaway, especially in the five southeastern states of South Carolina, North Carolina, Georgia, Tennessee and Virginia. The influx of many highly-paid and well-traveled, cultured and educated newcomers to the area tend to be attracted to the area's combination of economic growth, easy-going southern lifestyle, and the quick access to the Upcountry's Appalachian highlands. This trend has created a groundswell of demand for the types of assets that cities many times larger boast.

The city has been proactive in creating a visually attractive and walkable downtown with many museums, arts facilities, restaurants, many new hotels, and highly rated indoor and outdoor sports facilities. This attractiveness related to downtown, which has been curated over the past generation, is what makes tourism and the potential for conventions so compelling. As will be discussed later in this report, the hotel market is robust and growing downtown, in response to the high level of demand for hotel rooms. However, what makes Greenville's downtown so attractive is its compact, walkable nature, as well as the "nature" in the walk. Finding a location for a convention center that can hold a large number of people is a challenge in any built-up urban environment. The analysis of sites will be discussed later in the report.

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PROFILE OF THE TD CONVENTION CENTER

The focus of this chapter is the TD Convention Center's historical performance and its physical and other attributes, given that it is the facility most like a convention center in Greenville. The chapter also profiles the Bon Secours Wellness Arena, as it is the other major public event facility in the market and is located downtown. It can accommodate certain events that potentially would go to a convention center, if located downtown.

The HSP Team examined the TDCC in terms of both size and quality to identify improvements that would be necessary to allow the facility to meet the convention and meetings market. HSP also analyzed five years of data across a multitude of performance metrics related to events, attendance, revenues and expenses. The data provides insight into what is working, what is not working and potential areas of opportunity for a new downtown convention center.

Profile of TD Convention Center

The TD Convention Center (TDCC) is located at 1 Exposition Drive in Greenville, South Carolina. The facility was originally built in 1964 as a Textile Hall. The James H. Woodside Conference Center was dedicated in 1993, named after a former President of Textile Hall Corporation who was instrumental in spearheading the growth of the facility in the 1960s and 1970s. The City of Greenville purchased the facility in 2001 for \$6.75 million and contracted with SMG to manage the facility. A \$22 million renovation was completed in 2008 that improved the facility's exhibit and meeting spaces. The renovation also improved connectivity with public spaces. In 2011, the TD Convention Center officially reopened. The convention center is still privately managed by SMG, the largest venue management company in the U.S.

The following figure shows one of the main entrances at the TD Convention Center.

Figure 2-1



Notable physical attributes include a combination glass, brick and stone façade. Fountains can be found outside one of the other entrances to the convention center.

The TD Convention Center is a multi-level facility. The Woodside Conference Center, which houses meeting space, is most easily accessed from the entrance on Eisenhower Drive. The most convenient entrance to the building for the Ballroom space is on the west side of the building off of Exposition Drive. Hall 1, a popular location for consumer shows and major expositions, is also located on the west side of the building, while Hall 2 is on the east side of the facility.

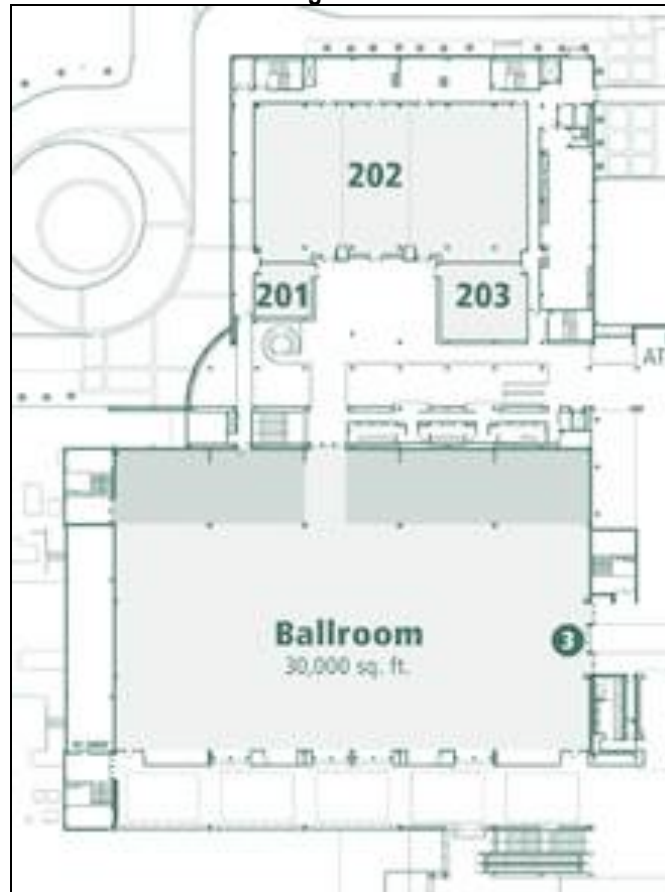
The following figure shows the layout of the meeting space on the first level.

Figure 2-2



The following figure shows the layout of the meeting space on the second level.

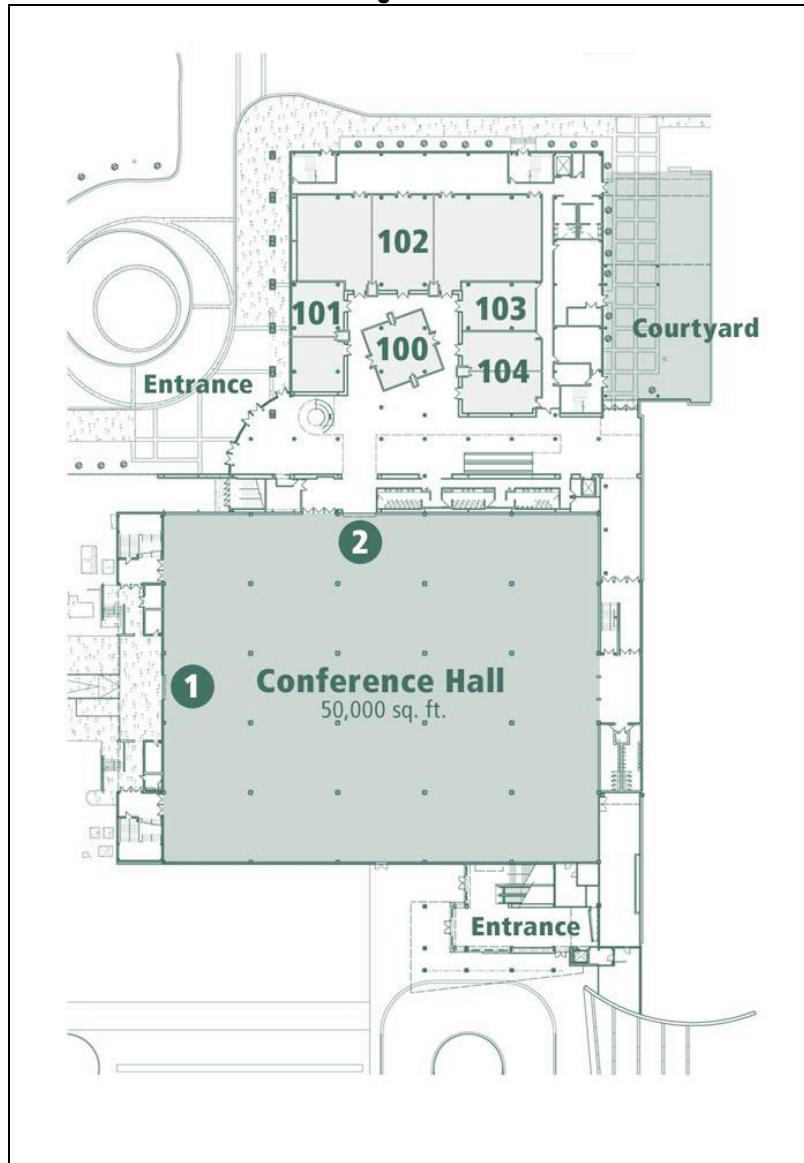
Figure 2-3



As shown, the 30,000-square foot ballroom has columns along one side that make it a bit more difficult to use for certain events. The ballroom is utilized at least two days a week for church services.

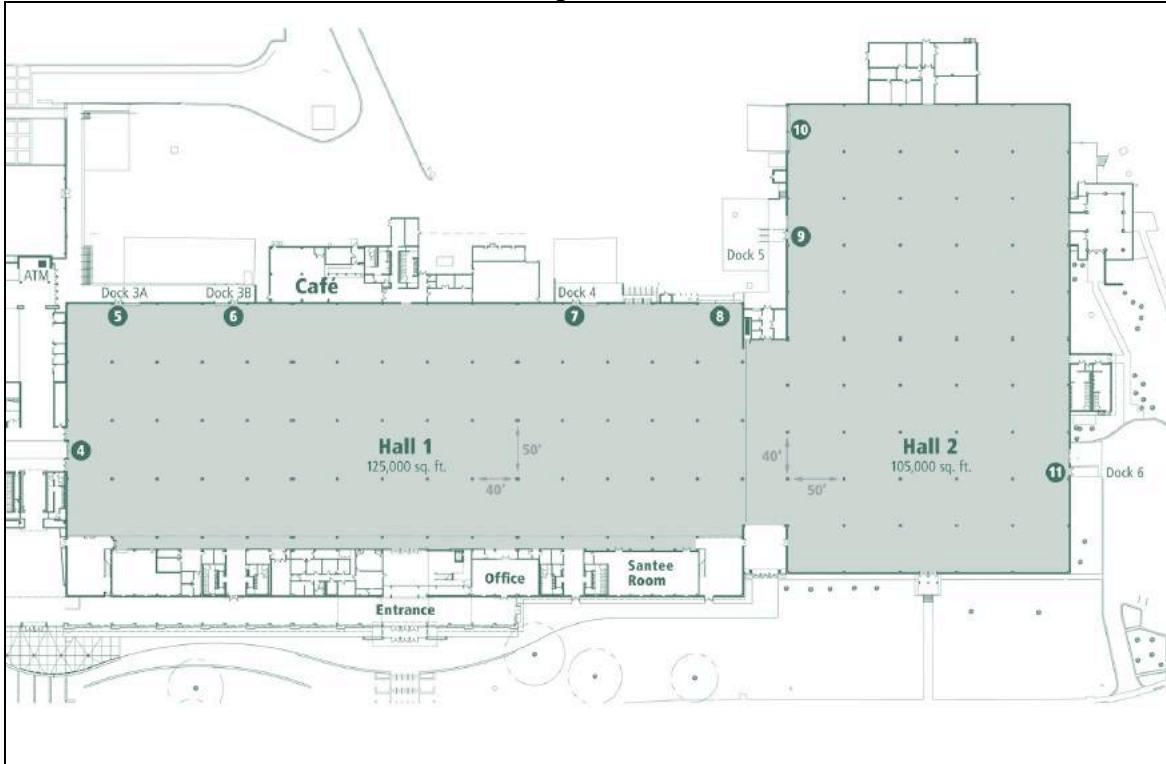
The following figure shows the “conference” space layout on the first level, which is essentially a Class B exhibit hall with columns. Columned space is not as attractive to event planners as column-free space, due to the restrictions on certain types of use.

Figure 2-4



The following figure shows the true exhibit space layout on the second level.

Figure 2-5



Between the conference hall on the first level and the two halls on the second level, the TDCC has 280,000 square feet of exhibit space, although the 230,000 square feet that is contiguous on this level is the most popular. Meeting space totals nearly 60,000 square feet, including the courtyard located on the first level. The exhibit space also has columns in this area.

The TD Convention Center has three main areas of exhibit space. Hall 1 on the second level accounts for the largest portion of square footage, which totals to 125,000 square feet. Hall 2, also located on the second level, is 105,000 square feet and the Conference Hall on the first level is 50,000 square feet. The TDCC has nine rooms available for meeting space, the largest of which is the 30,000 square foot ballroom located on the second level.

The following table shows the breakdown of meeting and exhibit space at TDCC.

Table 2-1

TD Convention Center Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Exhibit Space			
Conference Hall	50,000		1
Hall 1	125,000		1
Hall 2	105,000		1
	280,000		3
Ballroom Space			
Ballroom	30,000		1
	30,000		1
Meeting Room Space			
Room 100	1,248		2
Room 101	1,890		2
Room 102	6,672		3
Room 103	1,176		1
Room 104	1,974		2
Room 201	840		1
Room 202	11,376		3
Room 203	1,845		1
Santee Room	2,849		1
	29,870		16
Hotel Rooms	247		
Total Exhibit Space	50,000 / Guest Room		202
Total Ballroom Space	30,000 / Guest Room		121
Total Meeting Space	29,870		121
Total Function Space	109,870		445
Ballroom Divisions	1	100 Guest Rooms	0.4
Meeting Room Divisions	16		6.5
Total Divisions (including Ballr	17		6.9
Source: TD Convention Center, Cvent, Hunden Strategic Partners			

Because of the large amount of columned exhibit space relative to the amount of breakout meeting rooms, the market views the TDCC as a glorified expo center, not a true convention center. The other element that suggests this to the market is its location. Given that it is not in an urban setting, has extensive parking and can host large consumer shows in a Class B exhibit setting, it is less of a tourism generator than a facility that is able to host large local/regional events.

Review of Physical Attributes

The HSP Team reviewed the physical aspects of the TD Convention Center, taking into account the size, quality and layout of the function space. The HSP Team identified key observations and areas of opportunity

for improvement. As a whole, the TD Convention Center is an attractive and up-to-date center with design, finishes, condition and space mix that ranks it fairly high, except for the columns. From interviews with staff and key stakeholders as well as a general survey of the facility, the quality, conditions, logistics and user facilities, the HSP Team determined that these are not limiting factors on sales and customer satisfaction. However, the hotel situation, location and lack of breakout meeting rooms is a factor to be noted and relevant to the focus of the study.

Site. To the south east of the facility, the TDCC faces the Greenville Downtown Airport. Close proximity to the airport is a demand generator and an amenity of the TDCC. All three of the main entries to the building are clearly marked for guests and exhibitors. There are eleven different door specifications and load-in sites at the TDCC. Six of the eleven doors are equipped with dock capabilities. Parking at the site is spread around all sides of the building. There are seven parking lots that, when combined, total 2,366 spots. The daily parking fee currently is \$5 per vehicle (subject to change) for trade shows and events open to the public. The TD Convention Center is also equipped with a permanent fiber-optic built into the facility. It offers limitless wireless internet connectivity throughout the exhibit halls, meeting rooms, ballroom and lobbies, although there is some occasional trouble connecting or receiving a strong signal.

Function Space. The Ballroom is finished as a multi-purpose meeting space. It is equipped with multiple projectors and screen capabilities. The two Exhibit halls are large, open spaces that are built to accommodate a wide range of exhibit and expo showings. One feature to note in the Exhibit halls are the white columns that divide the space.

The following figure shows the Ballroom meeting space.

Figure 2-6



The figure below shows the Ballroom during a Bernie Sanders rally in August 2015.

Figure 2-7



As shown, the ballroom feels more like an expo space with black curtains than a ballroom. This is because it essentially is an exposition/multipurpose room without the lighting and floor/wall coverings that would typically be found in a ballroom.

The figure below shows an exhibit space during the annual Upstate South Carolina Boat Show.

Figure 2-8



The exhibit space appears to be a flexible space, but aesthetically the exhibit halls are bare minimum.

The figure below shows an exhibit space set for a Comic-Con Convention.

Figure 2-9



The next figure shows an alternate view of the boat show in an exhibit space.

Figure 2-10



Event and Attendance History

HSP reviewed the event and attendance history of the TDCC in an effort to understand the patterns of demand. Events across a total of nine categories were analyzed for a four-year period, from 2012 to 2015.

The table below shows the number of events by type from 2012 through 2015. Although there are great variations from year to year in certain categories, general trends can be noted.

Table 2-1

TD Convention Center Events by Category					
Event	2012	2013	2014	2015	Average
Association/Convention	26	23	20	18	22
Banquet/Catering	114	96	91	83	96
Concerts	3	0	2	4	2
Consumer/Public	33	29	52	26	35
Corporate Meeting	29	42	37	58	42
Meeting/Other	65	67	56	80	67
Tradeshow	6	9	8	7	8
NewSpring Community Church	96	94	106	100	99
Other	12	14	17	15	15
Total	276	266	266	391	300

Source: TD Convention Center

The building's events have shifted toward a higher concentration of banquet/catering events and meetings. Convention and banquet business has declined, while consumer and tradeshow have remained consistent. Church events (NewSpring) account for approximately 25 percent of total events, and NewSpring banquet and meetings account for two-thirds of events. Conventions make up only five percent of events and consumer/public shows seven percent (in 2015).

One increase to note is the increase in corporate meeting events from 2014 to 2015. Over the period, the number of events increased from 37 to 58. Even the increase in 2013 from 29 to 42 is impressive.

HSP analyzed recent activity to understand the character of demand for the facility. The following table shows attendance by type of event at the TD Convention Center from 2012 to 2015. The consumer/public category below includes the events from the other and concert categories above. The meeting category below also includes the NewSpring Community Church Sunday Service events.

Table 2-3

TD Convention Center Attendance by Category					
Event	2012	2013	2014	2015	Average
Association/Convention	34,961	33,590	24,614	23,442	29,152
Banquet/Catering	33,899	34,859	33,578	30,755	33,273
Consumer/Public	136,634	117,292	129,107	162,930	136,491
Corporate Meeting	11,081	15,146	12,595	17,011	13,958
Meeting/Other	149,443	195,541	257,156	287,302	222,361
Tradeshow	9,300	9,750	21,375	6,640	11,766
Total	375,318	406,178	478,425	528,080	447,000

Source: TD Convention Center

TDCC attendance has generally fluctuated between 400,000 and 500,000 visitors per year. Additionally, the TD Convention Center attracted the most visitors in 2015, totaling just under 530,000 people, although much was driven by the church.

As shown, the majority of attendance is due to meetings, followed by consumer/public shows, then banquet/catering events. Association/convention shows, banquet/catering events, and tradeshow all saw a decline in attendance from 2014 to 2015. The substantial decline in attendance for tradeshow is worth noting, from 21,375 attendees in 2014 to 6,640 attendees in 2015. Less than 25,000 visitors come to the TDCC for conventions. Consumer/public shows, corporate meetings and meetings/other events saw an increase in attendance for the same time frame, most notably the increase in attendees for consumer/public shows from 129,107 to 162,930.

The next table shows the average attendance by event type.

Table 2-2

TD Convention Center Average Attendance by Category					
Event	2012	2013	2014	2015	Average
Association/Convention	1,345	1,460	1,231	1,302	1,335
Banquet/Catering	297	363	369	371	350
Consumer/Public	4,140	4,045	2,483	6,267	4,234
Corporate Meeting	382	361	340	293	344
Meeting/Other	928	1,215	1,587	1,596	1,332
Tradeshow	1,550	1,083	2,672	949	1,563

Source: TD Convention Center

The largest event type is consumer/public shows, at approximately 4,200 per event over the period. Because meetings/other include the church services, the attendance is higher than would normally be expected in a handful of meeting rooms. Association and convention events average 1,335 people and these are the types of events that are the most compelling for event facilities, as most of their visitors are from out of the area and

would generate roomnights. Tradeshows can also draw room nights, although are often regional for many attendees, suggesting a day trip.

Historical Financial Performance

HSP also analyzed the financial activity at the TD Convention Center. The TDCC operates on a fiscal year running from January through December. HSP has removed non-TDCC operating revenues and expenses from the tables shown below, so that only building-related revenue is profiled.

The following table shows the operating performance of the TDCC from 2010 to 2015.

Table 2-4

	TD Convention Center					
	2010	2011	2012	2013	2014	2015 Budget
Operating Revenues						
Rental Income	\$1,119,793	\$1,155,057	\$1,125,340	\$1,204,565	\$1,242,742	\$1,189,118
Food and Beverage	\$2,409,361	\$2,297,763	\$2,971,018	\$2,972,226	\$3,037,839	\$2,942,500
Services	\$101,989	\$113,213	\$88,829	\$89,323	\$114,247	\$86,612
Ancillary	\$572,915	\$629,623	\$621,921	\$660,587	\$708,142	\$620,160
Show Management	\$366,992	\$383,141	\$397,053	\$379,100	\$407,135	\$385,560
Miscellaneous	\$38,086	\$19,156	\$43,249	\$17,874	\$18,249	\$10,650
External Reimbursements	\$22,572	\$26,676	\$6,156	\$0	\$0	\$0
Total Operating Revenues	\$4,631,708	\$4,624,629	\$5,253,566	\$5,323,675	\$5,528,354	\$5,234,600
Operating Expenses						
Personnel	\$2,877,688	\$2,728,051	\$2,960,548	\$3,103,435	\$3,197,183	\$3,216,056
Administrative	\$264,464	\$301,045	\$196,247	\$383,766	\$357,074	\$269,407
Professional Services	\$97,454	\$99,700	\$95,097	\$112,728	\$148,064	\$143,534
Show Management	\$336,217	\$319,285	\$310,644	\$268,499	\$263,320	\$285,655
Advertising Expense	\$89,048	\$77,151	\$102,944	\$82,198	\$87,676	\$116,190
Rental Expense	\$99,806	\$96,620	\$119,742	\$94,738	\$108,070	\$88,874
Materials and Supplies	\$79,065	\$85,100	\$209,098	\$224,823	\$100,554	\$118,977
Food and Beverage	\$503,346	\$537,641	\$668,135	\$693,068	\$705,331	\$622,300
Repairs and Maintenance	\$826,101	\$866,654	\$844,366	\$840,206	\$985,505	\$920,972
Travel and Training Expense	\$13,925	\$21,098	\$16,139	\$24,588	\$16,210	\$27,780
Miscellaneous	\$13,154	\$59,577	\$11,387	\$11,095	\$13,520	\$11,955
Management Fee	\$171,176	\$179,228	\$144,897	\$147,360	\$150,013	\$152,426
Incentive Fee	\$0	\$0	\$117,311	\$23,556	\$41,179	\$1,289
Total Operating Expenses	\$5,371,444	\$5,251,996	\$5,796,555	\$6,010,060	\$6,173,699	\$5,975,415
Operating Income (Loss)	\$(739,736)	\$(627,367)	\$(542,989)	\$(686,385)	\$(645,345)	\$(740,815)

Source: City of Greenville

The TDCC has shown modest growth in its core revenue sources over the past several years. The facility surpassed \$1,200,000 in rental revenue for the first time in 2012, but has recently dipped below that number. Total operating revenue peaked in 2014 at \$5.5 million.

Expenses have increased somewhat over the six-year period, although they have remained relatively consistent around \$5.5 million to \$6 million for most years. The wild card line items are professional services and repairs and maintenance, which include a number of expenses. Professional services has increased from

\$97,454 in 2010 to \$143,534 in 2015. Repairs and maintenance has seen a \$100,000 increase, and food and beverage has seen a \$200,000 increase from 2010 to 2014.

However, the largest expense is personnel, at \$3.2 million in the last year shown. While HSP was not engaged to analyze this figure, it appears high relative to the amount of business at the TDCC and character of the event types.

The following table shows event revenue by category and per event at the TD Convention Center.

Table 2-5

TD Convention Center Event Revenue by Category					
Event	2012	2013	2014	2015	Average
Association/Convention	\$979,727	\$747,114	\$694,536	\$637,805	\$764,796
Banquet/Catering	\$1,018,258	\$1,162,254	\$1,152,933	\$1,133,820	\$1,116,816
Consumer/Public	\$1,523,390	\$1,501,002	\$1,495,427	\$1,719,835	\$1,559,914
Corporate Meeting	\$979,734	\$1,108,985	\$968,578	\$1,165,383	\$1,055,670
Meeting/Other	\$494,720	\$497,512	\$574,425	\$816,686	\$595,836
Tradeshow	\$173,931	\$215,293	\$547,635	\$156,892	\$273,438
Total	\$5,169,760	\$5,232,160	\$5,433,534	\$5,630,421	\$5,366,469
Source: TD Convention Center					

TD Convention Center Event Revenue per Event					
Event	2012	2013	2014	2015	Average
Association/Convention	\$37,682	\$32,483	\$34,727	\$35,434	\$35,081
Banquet/Catering	\$8,932	\$12,107	\$12,670	\$13,660	\$11,842
Consumer/Public	\$31,737	\$34,907	\$28,216	\$66,148	\$40,252
Corporate Meeting	\$33,784	\$26,404	\$26,178	\$20,093	\$26,615
Meeting/Other	\$3,073	\$3,090	\$3,546	\$10,209	\$4,979
Tradeshow	\$28,989	\$23,921	\$68,454	\$22,413	\$35,944
Total	\$144,196	\$132,913	\$173,790	\$167,956	\$154,714
Source: TD Convention Center					

In the table, the highest revenue grossing events are the consumer/public shows, averaging a total of \$1.56 million per year. The lowest revenue comes from the tradeshow, averaging a total of \$273,000 per year.

The table below shows the TDCC events booked by the VisitGreenvilleSC in the 2014-2015 fiscal year.

Table 2-7

TD Convention Center Events Booked by VGSC				
Account	Event Name	Attendance	Contract Rooms	Event Date
American Handmade Crafts	Buyer's Market / American Made Show 2016	2,000	905	May-16
American Mock Trial Association	2016 AMTA National Championship Tourname	500	700	Apr-16
Eastern Outdoor Reps Association	EORA June 2016 Trade Show	60	195	Jun-16
Eastern Outdoor Reps Association	Spring Trade Show 2015	400	281	Feb-15
Eastern Outdoor Reps Association	2015 Early Deadline/ June Tradeshow	60	114	Jun-15
Eastern Outdoor Reps Association	2015 Fall Trade Show	745	183	Aug-15
Eastern Outdoor Reps Association	EORA Spring 2016 Tradeshow	400	435	Feb-16
Eastern Outdoor Reps Association	EORA Fall 2016 Tradeshow	745	294	Aug-16
Eastern Outdoor Reps Association	EORA Winter 2016 Trade Show	75	73	Nov-16
Greenville Kennel Club	Greenville/ Piedmont Classic- July 2016	1,800	445	Jul-15
Greenville Kennel Club	Greenville/ Piedmont Classic- JUDGES ROOMS	1,800	150	Jul-15
National Ornamental & Miscellaneous Metals Association	METALFAB	200	506	Mar-16
SC Association of School Libraries	2017 SCASL Annual Conference	600	315	Mar-17
SC Association of School Libraries	2018 SCASL Annual Conference	600	315	Mar-18
SC State Convention	68th SC State Convention	200	275	Mar-16
ScanSource, Inc	May- Overflow Room Block 2	500	271	May-15
ScanSource, Inc	March- Overflow Room Block 3	500	230	Mar-15
Society of Automotive Engineers International	Truck and Bus Brake Meeting	40	78	Apr-15
South Carolina Council of Teachers of Mathematics	SCCTM Annual Conference 2015	800	466	Nov-15
South Carolina Council of Teachers of Mathematics	SCCTM Annual Conference 2016	800	466	Nov-16
Southeastern Fabricare Association	SEFA Board Meeting 2015	20	40	Mar-15
Thomas Media Group, LLC	Annual Black Expo 2014	2,000	88	Jul-14
University of South Carolina	CONFIDENTIAL- SC Education and Business	1,500	880	Jun-15
Wizard World	Comic Con 2016	5,000	680	Jul-16
Total	24	21,345	8,385	--

Source: VGSC Annual Report

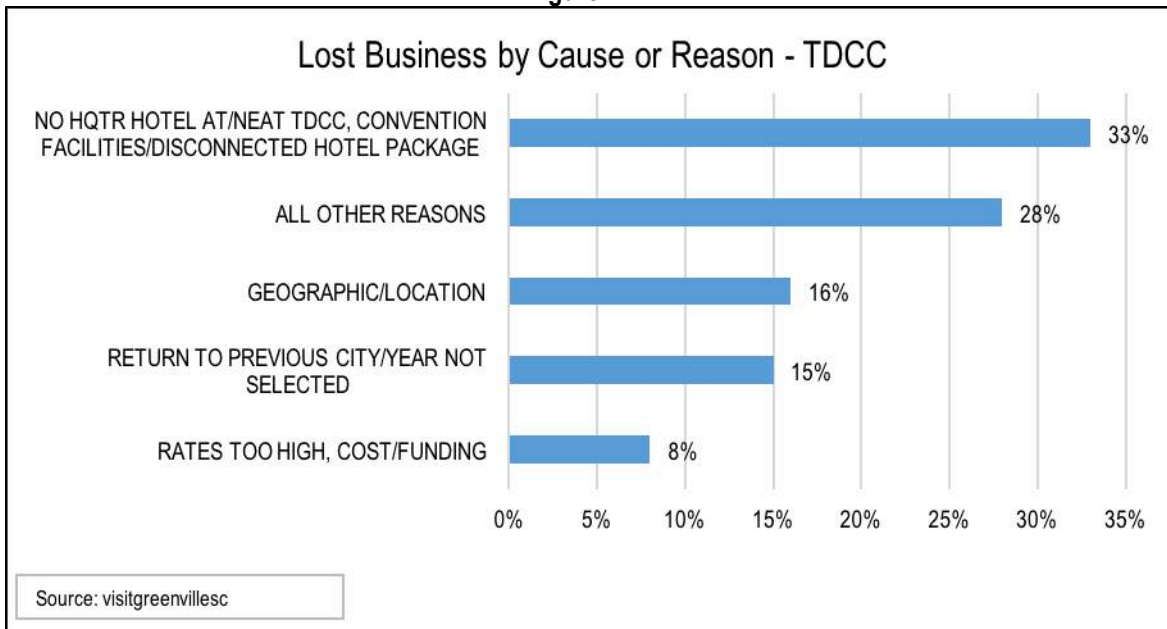
As shown, the TD Convention Center was able to induce more than 8,000 room nights during the period, with events occurring from July of 2014 through March of 2018. Typically, convention centers should be able to produce at least a half of a room night for every square foot of exhibit space. However, because the TDCC has so much exhibit space relative to the size of the market, it only induces a fraction of the amount one might expect in a larger market. The TDCC is the size of expo facilities in markets the size of Portland and Salt Lake City, yet with one tenth of the market size.

Lost Business Analysis

The TD Convention Center provided HSP with data detailing historical lost business during Fiscal Year 2014/2015.

The following figure shows the percentage of events lost by cause or reason.

Figure 2-11



As shown in the figure above, the highest percentage of lost business during the 2014/2015 business year was due to the lack of a headquarter hotel near the TDCC. The facilities were lacking a connection and the convenience to a nearby hotel. The groups/events included in the data above chose an alternative destination to the TDCC and the lost business review was tracked by the VGSC. Taken from 100 unique accounts, the data above shows 116 events that were lost during this fiscal year, totaling over 122,891 attendees. Roughly one third of those attendees were lost due to a lack of a hotel package.

Bon Secours Wellness Arena Profile

The Bon Secours Wellness Arena (The Well), located in Greenville at 650 N Academy St, is a multi-use entertainment venue. The arena is home of the Greenville Swamp Rabbits and has hosted numerous concerts, family events, sports and comedy acts. As a concert venue, the arena can seat between 11,000 and 15,951 spectators, depending on the stage positioning. The Well features 30 luxury suites and 840 club seats. The arena floor measures 113 feet wide by 229 feet long.

The arena, formerly known as the BI-LO Center, opened on September 13, 1998 at a cost of \$63 million. It was built to replace Greenville's outdated and under-repaired Greenville Memorial Auditorium. Original state legislation forming Greenville Memorial Auditorium District (GMAD), which later became the Greenville Arena District (GAD) in 1998 with the construction of the Bon Secours Wellness Arena, dates back to 1940. GMAD oversaw the Greenville Memorial Auditorium, which opened in 1958 and changed to the GAD in 1998. The Bon Secours Wellness Arena is a GAD managed facility. The GAD Board is a political subdivision of the State of South Carolina.

The Well is home to the Clemson Men's Basketball Team during their 2015-2016 season as Clemson undergoes renovations on Littlejohn Coliseum in Clemson, South Carolina.

The following figure shows the Bon Secours Wellness Arena set up for a Clemson game.

Figure 2-12



In the fall of 2012, the Greenville City and Greenville County Councils approved funding of \$13.1 million for renovations to the Arena. The first of three phases began in June of 2013, which included the installation of a new curtain system, a 360-degree ribbon board, a high definition video score board, digital menu boards and concourse signage, parking lot upgrades and new risers. Phase two began in June of 2014, including improvements to two new outdoor marquees, upgrades to the concourse and ticket office and renovations to the backstage area.

The following figure shows the view of a new renovated luxury suite, completed within phase one of the renovations.

Figure 2-13



The Bon Secours Wellness Arena hosted the Southern Conference men's basketball tournament in 2000 and 2001, as well as first and second round games during the 2002 NCAA Men's Basketball Tournament. The Well has not hosted a NCAA event since 2002 due to the Confederate Flag on display next to a monument on the grounds of the South Carolina State House. However, The Well is now eligible to host NCAA postseason events, since the flag has been removed. For basketball, the earliest this could occur would be 2019.

The following figure shows the general seating chart at the Bon Secours Wellness Arena. The "Team Store" in the legend should be labeled Swamp Rabbits and not GRW, but this is the latest version provided by the official website.

Figure 2-14



Concert events held at The Well include Bruce Springsteen, Billy Joel, George Strait, The Eagles, Carrie Underwood, Kenny Chesney, Usher and events like the Ringling Brothers and Barnum & Bailey Circus, Trans-Siberian Orchestra, WWE, Disney on Ice and Winter Jam.

The following figure shows The Well set up for a concert.

Figure 2-15



The Well has parking available for Premium Seating and Suite owners in a lot on Church Street. Other parking is available in the City of Greenville Church St. Garage, Liberty Square Garage, and Commons Garage on Beattie Place.

Implications

The TD Convention Center as a whole is a functional center, however the facilities are out of date, too large for the market area and not geared toward the room-night inducing business that justifies the continued cost. To be a successful convention center, the facility would require at least some measure of column-free space, a true ballroom with ballroom finishes and a strong compliment of breakout meeting rooms.

However, the building is oversized for the market area and so it is underutilized. As a result, the facility loses money annually (approximately \$750,000). Exposition centers typically can at least break even due to the revenue generation of consumer/public shows, but not the TDCC.

The TDCC is a product of another generation that needed a massive facility to showcase one particular industry. While it has been updated enough to host various event types, it is still a physical oddity relative to the marketplace. Closing it would mean the community would lose some business and a few thousand hotel room nights, but it would also stop losing hundreds of thousands of dollars each year in operating expenses. Given the hotel room nights and taxes it generates, these may not even cover the net operating loss.

Regardless of what happens with a new group facility downtown, the TDCC may not be justified financially for the public sector to own and fund in the longer term. It may instead find some value for a private user or group of users who can purchase it or take it off of the books of the public. The NewSpring Church has shown

interest in taking over the ballroom. The balance of the facility could be mothballed or only opened for major events that generate net income.

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CONVENTION, EXPOSITION, MEETING AND EVENT INDUSTRY TRENDS

It is important for stakeholders in Greenville to understand the forces shaping the convention and meetings business. While it is ever changing, the expectations for ease, convenience and low prices have increased, while the yearning for authenticity and large blocks of often generic/branded hotel rooms and attached high-quality flexible spaces have also increased. Authenticity tied to large generic blocks of hotel rooms and space is ironic, indeed, but is the case.

This higher level of expectation for everything at a lower price point is a challenge for cities, as it creates a market that is not willing to pay for the quality it expects. At the very least, Greenville offers an authentic experience, but the facilities it can offer today are not in line with expectations, hence why so few conventions and conferences can fit into venues in Greenville. Major and mid-sized cities that rely on convention business to fill their hotels and power their downtown economies often give away space or pay for shuttling or other costly items in order to lure meeting planners and their respective conventions. This effective rent reduction then cycles through the market to all venues. As the largest venues fill their space with subsidized events, the others follow suit. There is an expectation of reduced rent for impactful events, since they are actively sought after. Until demand exceeds supply, this market situation will continue.

Purpose of Face to Face Meetings and Conventions

Conventions, exhibitions and trade shows are conducted for the purposes of exchanging information, conducting business transactions and for educational, cultural and social enrichment. As developments occur in the larger economy, simultaneous developments occur in the meetings market, such as the growth of the tech sector generating growth in tech related meetings and events.

Often, a single event will use many different types of spaces, including exhibit halls, banquet facilities and breakout meeting rooms. Well-designed multi-purpose facilities offer the proportions of different types of spaces appropriate for the market. In addition, it offers the flexibility to host multiple events at one time. Different types of conventions and meetings have differing needs.

The following table summarizes the key attributes of various types of meetings, including facility requirements.

Table 3-1

Facility Types & Requirements for Various Event Types										
Event Type	Conventions with Exhibits	Conventions	Tradeshows	Consumer Shows	Assemblies	Sports Events	Conferences	Meetings	Trainings	Banquets
Attendance Range	150 - 50,000	150 - 15,000	250 - 50,000	8,000 - 1,000,000	5,000 - 50,000	500 - 100,000	50 - 2,000	10 - 300	10 - 300	50 - 2,000
Primary Purpose	Info Exchange & Sales	Info Exchange	Sales	Advertising & Sales	Info Exchange	Sports	Info Exchange	Info Exchange	Training	Social, Business & Charity
Facility Requirements	Exhibit Halls, Ballroom, Meeting Rooms, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Exhibit Halls, Hotel Block	Exhibit Halls	Arena or Exhibit Halls, Hotel Block	Arena, Stadium or Exhibit Halls, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Ballroom
Typical Facility Used	Convention Center & Large Hotels	Convention Center & Large Hotels	Expo Facilities & Convention Centers	Expo Facilities & Convention Centers	Arenas or Convention Centers	Arena, Stadiums, Convention Centers	Convention/Conference Centers and Hotels	Convention/Conference Centers and Hotels	Convention/Conference Centers and Hotels	Convention/Conference Centers and Hotels

Source: HSP

The various types of convention and conference center events are described as follows:

Conventions and Trade Shows – Associations, professional groups and other membership organizations hold conventions and trade shows, with attendance ranging from 150 to 50,000 attendees. The larger of these meetings take place in convention centers with large exhibit halls, but as a Center for Exhibition Industry Research (CEIR) survey indicates, the majority of events require less than 50,000 square feet. Conventions and trade shows may feature a single meeting, but usually offer a number of concurrent meetings and exhibitions. Facility needs include assembly space for general sessions and displays, banquet facilities and numerous breakout-meeting rooms. Two-thirds of conventions and trade shows use exhibit space as a means to communicate ideas and to display products.

Conventions are high-impact events economically because a large percentage of attendees originate from outside the local area, typically stay several nights in the host city and spend money on accommodations, food, transportation, retail goods, and entertainment. Spouses, family, or companions typically accompany a significant number of attendees.

Like conventions, **trade shows** offer a forum for exchanging industry ideas. They vary slightly from conventions in that they are more product- and sales-oriented. Trade shows are exhibit-intensive, and exhibitors prefer column-free, open-space facilities in which temporary custom booths for product display are constructed. Trade shows typically attract a large number of attendees, who originate from outside the host city, but tend to have a shorter average stay than convention attendees.

Consumer Shows – Consumer shows are public, ticketed events featuring exhibitions of merchandise for sale or display. Consumer shows provide a means of product distribution and advertising. Some, such as auto and boat shows, have a recreational and entertainment function as well. Consumer shows range in size from small local and specialized shows with a few hundred attendees to large shows with thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds and other public-assembly facilities with large exhibition areas. The majority of attendees are local, but exhibitors

often come from out of town. Site selection considerations for consumer shows include the size and income of the local population, availability of facilities and the number of competitive shows in the market.

Assemblies – Assembly events are social, military, educational, religious, and fraternal (SMERF) events. They attract large numbers of people and require seating arrangements to support all the visitors. Larger assemblies are held in arenas or stadiums while smaller assemblies are held in venues such as school auditoriums, churches and community centers. Similar to conventions, attendees originate from outside the host city, but, unlike conventions, these events do not usually require large amounts of exhibit and meeting room space.

Sports – Sporting events are any youth, amateur, professional, or senior event of any variety of sports that can be played indoors. Typically, such events are held in arenas or stadiums; however, many events, from boxing to wrestling, to basketball, can be held in exhibit facilities with temporary seating/stands. A growing trend in this sector is cheerleading competitions. As such, a multipurpose facility can be marketed for a variety of event types.

Conferences – Conferences are meetings typically held by associations, professional groups, and other membership organizations. Educational institutions also host conferences. These events do not usually require exhibit space, but otherwise the facility demands are similar to those of conventions—such as meeting space for general sessions, food service facilities and breakout rooms. Hotels and conference centers typically serve as venues for conferences.

Corporate, Training and Other Meetings – Corporate meetings include training seminars, professional and technical conferences, business/job fairs, incentive trips and management meetings. Corporate meeting planners and attendees demand high-quality facilities. High quality and flexible technology capabilities are an essential element corporate and business users are requiring when selecting meeting facilities.

Banquets – Banquets are typically locally generated events, from social and wedding events to the annual Chamber of Commerce event, which can be the largest of its kind in a given city. A mainstay of hotels and convention centers, banquets provide significant catering income and provide the community with its largest dining room, in most cases.

National Supply

Demand for meeting and exhibition space allowed many communities in the U.S. to develop successful convention and trade show facilities during the 1970s and 1980s. Public sector involvement in these developments was motivated primarily by the desire to capture the economic benefits of the events they hosted in their communities.

The following figure shows the comparison of supply and demand growth beginning in 1987.

Figure 3-1

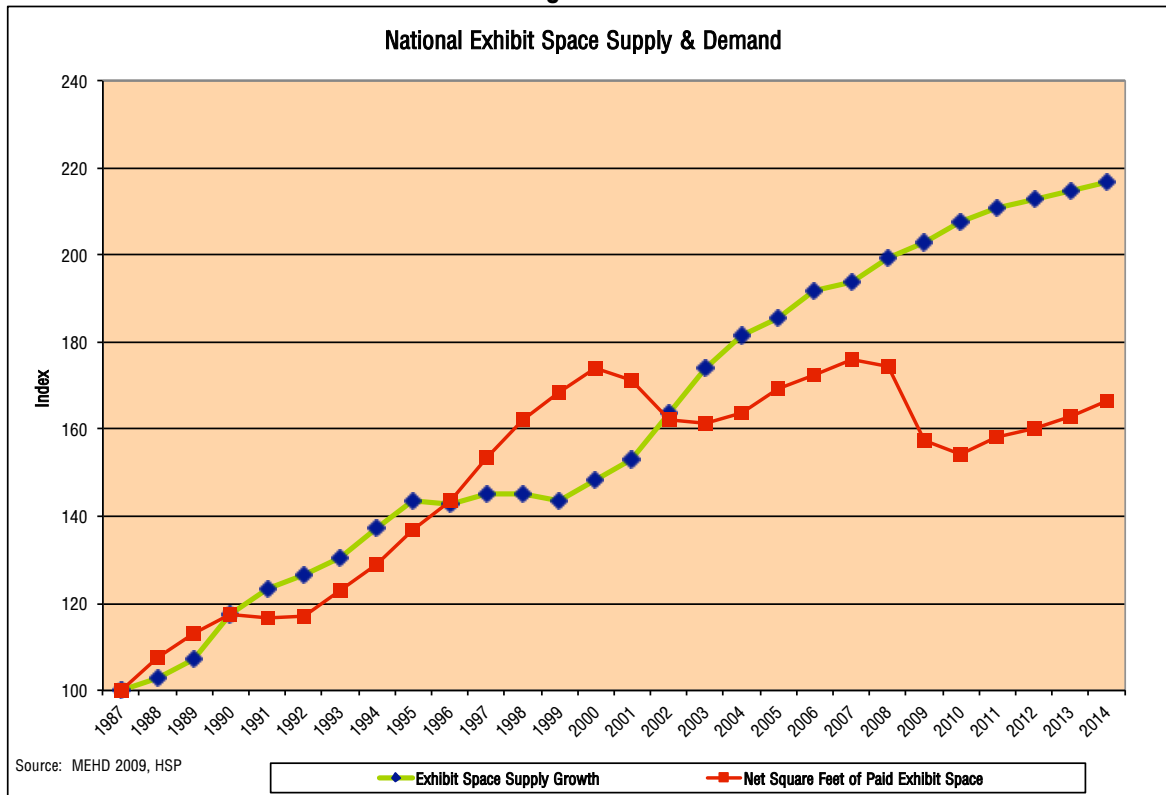


Exhibit space supply has increased every year since 1999, however paid exhibit space rises and falls with the economy, decreasing in 2001 and 2002 as well as 2008 and especially in 2009. This has led to increased competition amongst convention centers. While demand is now increasing at a higher rate than supply, the gap in the supply/demand index still provides meeting and event planners an edge in negotiations.

Most existing facilities are in some form of expansion or renovation to update aging facilities, add new technology features and services and add space to attract larger events. The following table shows the percentage of national facilities that are currently in some form of growth.

Table 3-2

Current Improvements in Industry	
Type of Improvement	Percentage
New Construction	9%
Expansion	27%
Renovation	27%
Total	63%
No Development Plans	36%
Source: AIPC (2012), R7M Research & Consulting	

Sixty-three percent of facilities nationally are taking some current action to improve the facility, either through new construction, expansion or renovation. Forty-five percent of the respondents to AIPC's survey added at least one new revenue stream in the past year, which is up from 27 percent in 2011. Examples of new revenue streams from the survey responses include the following:

- Expanded, enhanced meeting and conference spaces and services
- Enhanced and improved audio-visual, telecommunications and IT services
- Advertising and signage income
- Upgraded food and beverage and catering services
- Hosting cultural exhibitions, entertainment and sporting events

One of the major considerations in renovations and expansion is improvements to the facilities to accommodate new technology. The Internet has become an essential part of all exhibit space and convention facilities.

The following table sets out the changes that have occurred in convention center technology in the past ten years.

Table 3-3

Convention Facilities Technology Status Ten-Year Comparison		
Type	Ten Years Ago	Today
Facility		
Facility Website	87%	100%
Internet Access	77%	100%
Wireless Internet	60%	94%
Teleconferencing	58%	72%
Video Conferencing	50%	66%
Social Media Presence	0%	54%
Security Access Cards	43%	44%
Online Event Planning		
Booking Events	20%	19%
Ordering Supplies for Events	18%	31%
Booking Accommodations	16%	23%
Source: PricewaterhouseCoopers		

Every convention center in the United States has a website and Internet access, which was not the case ten years ago. Almost every facility has wireless Internet, 94 percent, up from sixty percent ten years ago. More than half of the convention centers in the United States have some social media presence, either on Facebook, Twitter, or some other platform.

Online event planning has not changed much in the past ten years, however. The only category that has significantly changed is ordering supplies for events, up from 18 percent to 31 percent. This indicates that staffing and personal marketing are still very important to a convention center, with the one-on-one contact through telephone and in person still essential for event planning.

Industry investment in technology during the next five years will be necessary for facilities to increase space flexibility and enhance attendee experience. Facilities will need to use and create mobile platforms and internet-based applications to assist and accommodate attendees. Traditionally, facilities' technological efforts have focused on staples such as website development, standard audio/visual equipment and video-conferencing capabilities. However, according to an industry technology survey, facilities are increasingly focusing investment toward mobile and wireless capabilities, increasing network bandwidths, technologies that allow attendees to learn collaboratively and interactively as well as social media, e-marketing platforms, applications and webinars. Facilities must learn how to use these new technologies to their benefit, as they may pose a potential threat to industry revenue in the long run by allowing people to attend conferences and participate remotely. Ultimately, technology will need to be used as a tool that enhances business and individuals' experiences to drive demand for services.

The following table summarizes the ownership structure of U.S.-based convention centers.

Table 3-4

Convention Centers Ownership				
	Total Convention Centers	Large	Medium	Small
Ownership				
City	48%	27%	52%	57%
Authority	27%	55%	22%	14%
State	8%	18%	4%	7%
County / Council	10%	---	7%	21%
Private	2%	---	4%	---
Non-Profit	2%	---	4%	---
Other	4%	---	7%	---
Is part of a complex	33%	27%	41%	21%

Source: International Association of Venue Managers, Inc.

As shown, most convention facilities are owned by the public sector. This public ownership however can take multiple forms as shows, such as directly through the city, by means of a created authority or even through the state or county / council. State or county / council ownership however is less common within the public sector. And while many convention facilities are privately managed, very few are privately owned.

The following table shows the various convention center management types based on the exhibit space size.

Table 3-5

North American Convention Center - Management Type				
Exhibit Space Size	Private Company	Quasi-Public Authority	Local Government	Other
Less than 100,000 square feet	30%	18%	40%	13%
100,000 to 500,000 square feet	44%	24%	22%	9%
More than 500,000 square feet	17%	50%	33%	0%

Source: PricewaterhouseCoopers

The three primary types of management are private, a quasi-public authority or public, through the local government. Of the three classifications of convention centers, based on the size of the associated exhibit space, convention centers with 100,000 to 500,000 square feet of exhibit space are largely privately managed, by companies such as Spectra (formerly Global Spectrum) or SMG, or 44 percent. This trend toward private management has increased as governments and citizens are demanding more professional management and accounting related to the results at these major public investments.

The following table breaks down North American convention centers' personnel by the size of exhibit space offered.

Table 3-6

North American Convention Centers - Personnel			
Exhibit Space Size	Full-Time Total	Full-Time Sales Staff	Full-Time Equivalent
Less than 100,000 square feet	32	4	47
100,000 to 500,000 square feet	95	6	119
More than 500,000 square feet	193	8	323

Source: PricewaterhouseCoopers

As expected, the larger the convention center the larger the full-time or full-time equivalent staff required.

Meeting Demand

Meeting planners have the strongest influence on conventions and meetings held nationwide. This section includes some of the preferences of U.S. meeting planners based on Meetings Media's Market Trends Survey as well as data from other sources.

The following table shows the size of convention center events, measured by the total gross square feet of space used for the event.

Table 3-7

Event Size (Gross Function Space)		
Function Space (SF)	Percent of Total	Cumulative Total
6,000 - 14,999	19%	19%
15,000 - 24,999	13%	32%
25,000 - 34,999	15%	47%
35,000 - 49,999	13%	60%
50,000 - 99,999	19%	79%
100,000 - 199,999	14%	93%
200,000+	7%	100%

Source: Center for Exhibition Industry Research

Distribution is fairly equal for the size of exhibitions, although nearly half of all events can fit in spaces smaller than 50,000 square feet. Nearly 20 percent of exhibitions occur in less than 15,000 square feet of function space, and an additional 13 percent take place in 15,000 to 25,000 square feet of space. Facilities with less than 25,000 square feet of gross exhibit space can host just one third of conventions.

The following table shows the typical meeting duration organized by meeting planners.

Table 3-8

Typical Meeting Duration	
Duration	Percent of Total
0.5 day	8%
1.0 day	14%
1.5 days	7%
2.0 days	16%
2.5 days	14%
3.0 days	20%
3.5 days	7%
4.0 days	5%
4.5 days	4%
5.0 days	4%
More than 5 days	2%

Source: Meetings Media, HSP

Half of all meetings and events last between two and three days. However, without a good hotel package, these longer meetings and events are very difficult to secure.

The following table shows the types of facilities used for all conventions and meetings (respondents could give more than one answer).

Table 3-9

Types of Facilities - U.S. Meetings and Conventions	
Facility Type	Percent of Total
Downtown Hotels	68%
Suburban Hotels	48%
Resort Hotels (excluding golf resorts)	42%
Airport Hotels	26%
Convention Centers	19%
Golf Resorts	16%
Suites Hotels	16%
Gaming Facilities	9%
Residential Conference Centers	9%
Nonresidential Conference Centers	6%
Cruise Ships	1%

Source: Meetings Market Report

For all meetings and conventions, hotels are the primary host venue, while convention centers host one out of five meetings or conventions. This again underscores the value of having a high quality downtown meetings hotel. The term residential conference center refers to a conference center with hotel rooms. For the larger convention events, typically only convention centers and large hotels host these types of events.

The next set of tables presents the trend of important industry metrics such as exhibit hall demand, occupancy, attendance, room nights and critical financial information from surveyed participants by PricewaterhouseCoopers. This data represents approximately 35 percent of 2013 convention center participants and 45 percent of 2013 destination marketing organization participants.

The following table shows the average event count and attendance for survey respondents by facility size.

Table 3-10

North American Convention Centers - All Event Characteristics		
Exhibit Space Size	Average Event Count	Average Total Attendance
Less than 100,000 square feet	291	205,400
100,000 to 500,000 square feet	276	486,800
More than 500,000 square feet	199	1,277,400
Source: PricewaterhouseCoopers		

The following table lists average annual exhibit event attendance for 2013 for facilities of varying size.

Table 3-11

North American Convention Center - Annual Exhibit Event Attendance			
Exhibit Space Size	Convention / Trade Shows	Consumer Shows	Subtotal
Less than 100,000 square feet	42,100	66,800	108,900
100,000 to 500,000 square feet	146,500	146,800	293,300
More than 500,000 square feet	567,600	447,100	1,014,700
Source: PricewaterhouseCoopers			

As shown, the 2013 annual attendance of consumer shows is greater at smaller convention centers with less than 100,000 square feet of exhibit space than that of convention or trade shows. The number of annual exhibit event attendance is nearly split evenly between the two types of events for mid-sized convention centers. Larger convention centers, with more than 500,000 square feet of exhibit space, are opposite of their smaller counterparts, with convention and trade show attendance accounting for the largest portion of the annual exhibit event attendance.

The following table displays the number of convention/trade show and consumer show events hosted by survey respondents.

Table 3-12

Surveyed National Exhibit Halls - Average Number of Events			
Exhibit Space Size	Conventions / Trade Shows	Consumer Shows	Total
Less than 100,000 square feet	27	19	46
100,000 to 500,000 square feet	36	18	54
More than 500,000 square feet	50	20	70

Source: PricewaterhouseCoopers

The following table presents average attendance for convention/trade shows and consumer shows.

Table 3-13

North American Convention Center - Average Attendance		
Exhibit Space Size	Conventions / Trade Shows	Consumer Shows
Less than 100,000 square feet	1,600	4,100
100,000 to 500,000 square feet	4,300	10,500
More than 500,000 square feet	11,000	32,800

Source: PricewaterhouseCoopers

The following table shows the average number of room nights generated annually by respondents to the convention center survey. In general, convention centers should generate from .25 to .75 room nights per square foot of exhibit space. The average for larger convention centers is about .50 to .60 room nights per square foot of exhibit space.

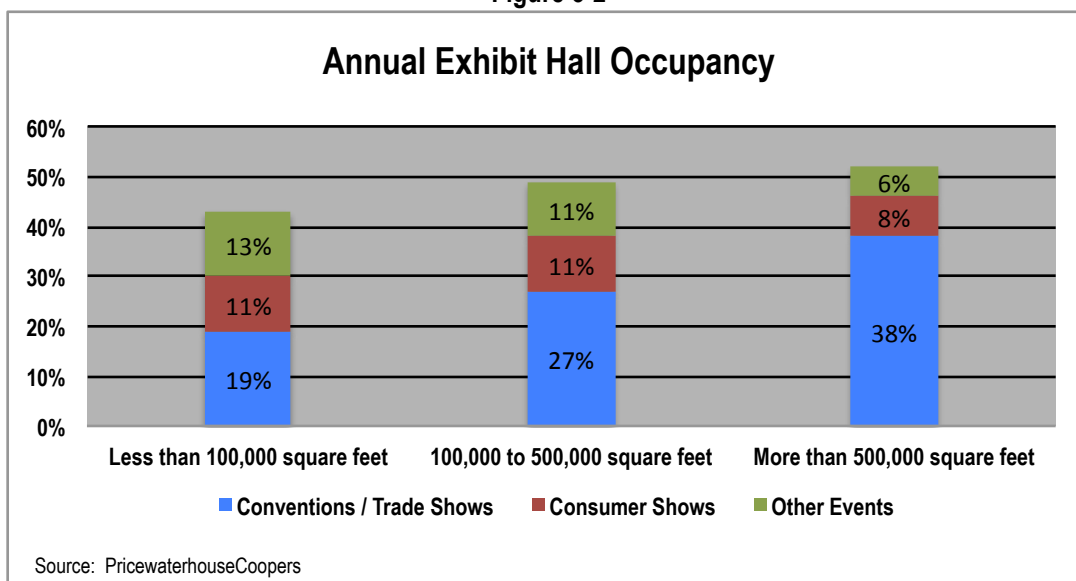
Table 3-14

North American Convention Centers - Hotel Room Nights	
Exhibit Space Size	Average Number of Room Nights
Less than 100,000 square feet	27,500
100,000 to 500,000 square feet	141,400
More than 500,000 square feet	807,600

Source: PricewaterhouseCoopers

The following graph breaks down the annual exhibit hall occupancy into conventions and trade shows, consumer shows and other events.

Figure 3-2



As shown, conventions and trade shows provide the largest portion of the overall exhibit hall demand for all three categories of convention centers. As the amount of exhibit space increases so does its utilization by convention and trade shows. These larger convention centers are able to attract various kinds of conventions, particularly the larger events that the smaller convention centers are unable to accommodate. Occupancy was higher in the larger facilities, led by convention and trade show occupancy. Consumer shows are less important as buildings increase in size. Exhibit hall occupancy, which can only practically reach 70 percent due to move in/out days and holidays, ranged from 42 percent in smaller buildings to 51 percent in larger buildings, on average.

The following table lists the North American convention center annual ballroom occupancy.

Table 3-15

North American Convention Center - Annual Ballroom Occupancy	
Exhibit Space Size	Total
Less than 100,000 square feet	43%
100,000 to 500,000 square feet	42%
More than 500,000 square feet	51%

Source: PricewaterhouseCoopers

As demonstrated, ballroom occupancy within North American convention centers, regardless of size, averaged 45 percent from all event types.

The following breaks down the North American convention center exhibit hall average daily rate per square-foot.

Table 3-16

North American Convention Center - Exhibit Hall Average Daily Rate (per square foot)		
Size	Conventions / Trade Shows	Consumer Shows
Less than 100,000 square feet	\$0.123	\$0.106
100,000 to 500,000 square feet	\$0.068	\$0.069
More than 500,000 square feet	\$0.063	\$0.055
Source: PricewaterhouseCoopers		

The larger the event that is able to be accommodated in the event facilities, the lower the exhibit hall average daily rate per square-foot. The average daily rate per square-foot for convention or trade shows in larger convention centers is reduced by nearly half that of the rate recorded for smaller centers.

The following table categorizes the catering and concession operations of North American convention centers based on the amount of exhibit space offered.

Table 3-17

North American Convention Center - Catering & Concession Operations			
Exhibit Space Size	Exclusive Center	Exclusive Contractor	Other / Multiple
Less than 100,000 square feet	41%	38%	21%
100,000 to 500,000 square feet	38%	62%	0%
More than 500,000 square feet	11%	89%	0%
Source: PricewaterhouseCoopers			

Of convention centers with 100,000 square feet of exhibit space or more, catering and concession operations are predominately contracted through an exclusive contractor. While 41 percent of convention centers with less than 100,000 square feet of exhibit space exclusively manage catering and concession operations within the center, nearly just as many (38 percent), are also contracted through an exclusive contractor.

The following table shows the gross food and beverage revenue per convention/tradeshow and consumer show event attendee to North American convention centers.

Table 3-18

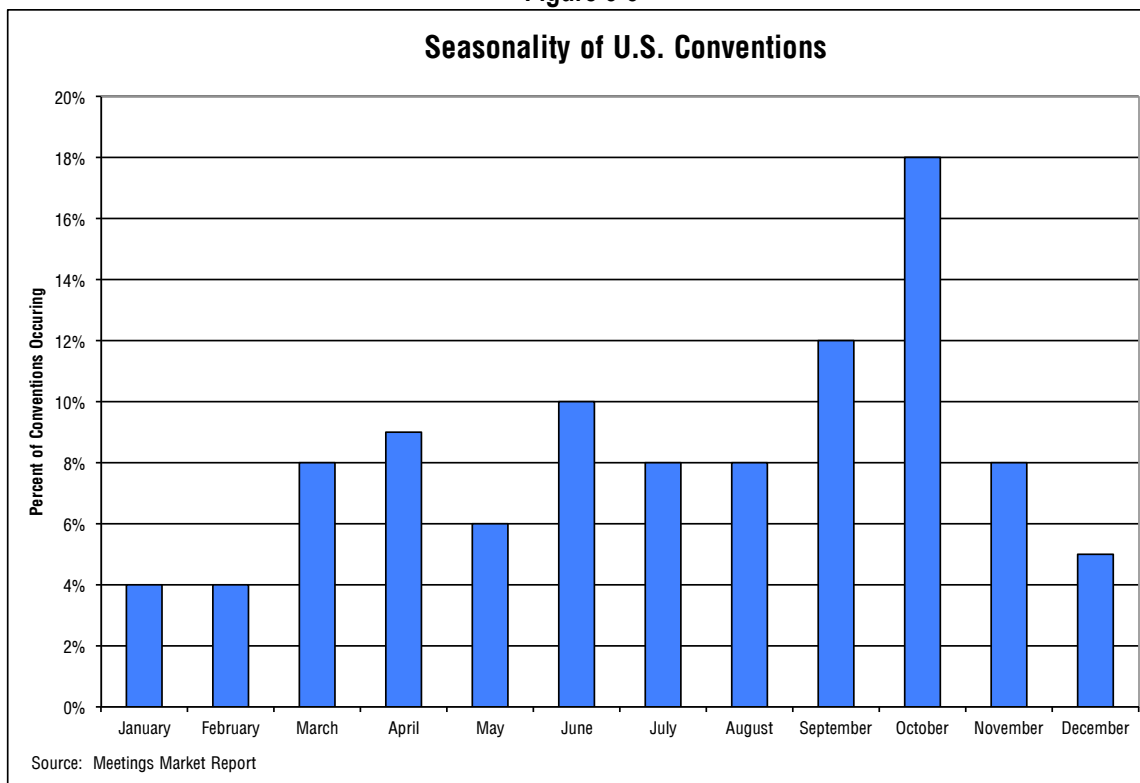
North American Convention Center - Gross F&B Revenue per Attendee (All Events)		
Exhibit Space Size	Convention / Trade Shows	Consumer Shows
Less than 100,000 square feet	\$20.64	\$1.86
100,000 to 500,000 square feet	\$22.08	\$2.71
More than 500,000 square feet	\$33.04	\$3.59

Source: PricewaterhouseCoopers

The larger convention centers draw the greatest revenue from food and beverage per attendee. Convention centers with more than 500,000 square feet of exhibit space in 2013 generated nearly \$13 more per convention/trade show attendee than centers with less than 100,000 square feet of exhibit space and nearly \$1.75 more per consumer show attendee.

The following figure shows the seasonality of the convention calendar across the United States.

Figure 3-3



The fall is the most popular time of year for conventions and events, followed by the spring and summer.

The following table shows the important factors considered when choosing a meeting destination/city.

Table 3-19

Event Site-Selection Trends - Factors for Host City Selection			
Factor	1 = Very Important	2 = Moderately Important	3 = Not Important
Hotel room prices and quality	80%	13%	7%
Hotel room availability and capacity	80%	12%	8%
Convention center and exhibition hall size and quality	76%	15%	9%
Facilities "under one roof" (i.e. meeting rooms , exhibit halls, hotels in one facility complex or connected)	61%	27%	12%
Labor costs and service issues	58%	36%	7%
Proximity of HQ hotel(s) to the convention center	54%	28%	19%
Destination appeal to attendees	48%	41%	11%
Concentration of our members, clients or industry professionals in the city and region	48%	41%	11%
Airport capacity and airfares	48%	37%	15%
Total population, demographics	27%	38%	35%
Road and highway access	26%	49%	24%
Climate / weather	17%	54%	29%
Cultural and entertainment amenities	13%	57%	30%
Source: R7M Research & Consulting			

The top factors selected as very important are hotel room prices and quality, hotel room availability and capacity, and convention center and exhibition hall size and quality. The lowest-rated elements considered when choosing a meeting destination were the total population or demographics, climate/weather, and the cultural and entertainment amenities. While cultural and entertainment amenities ranked lower on the list of factors, the appeal of the evaluated city to the attendees was still important.

While a city may have a lot to offer in terms of walkable entertainment, food and beverage options and other amenities, if the potential attendees negatively perceive the city, these factors are not even evaluated. The following table highlights the critical components for site-selection and what is considered important in proposals from CVBs, venues and/or hotels.

Table 3-20

Event Site-Selection Trends - Necessary Proposal Components	
Factor	Percent
Hotel rebates or discounts	79%
Exhibit hall discounts	73%
Other venue or hotel related service discounts or credits	61%
Having everything "under one roof" (i.e., meeting rooms, exhibit halls, hotels in one facility complex or connected)	57%
Single point of contact at the venue	46%
Attendance promotion support	39%
Transportation credits or discounts	34%
Other	18%
Source: R7M Research & Consulting	

As seen from the previous two tables, not only is the price of the hotels a key element in selecting a host city but also the affordability of the destination as a whole is of primary importance. Price is followed closely by the availability, as well as quality of a suitable hotel and meeting space. Below-market rent for facilities is a key factor driving the industry. Discounts on hotel bookings and function space rental are ranked as the top two components in any evaluated proposal. However, availability of hotels and the proper types of function space (ballrooms and breakout meeting rooms) remain vital.

Having a large quality hotel within walking distance of a multi-functional meeting facility opens up the market for many types of events that can accommodate and drive corporate demand, which then draws non-local visitors. Having restaurants and entertainment attached or in the immediate proximity will also enhance its appeal. Another highly ranked proposal component is listing a single point of contact at the venue. Essentially any means of reducing the amount of work necessary to coordinate an event and eliminate any confusion due to poor communication is weighed heavily.

The following table lists the key factors considered when assessing a potential venue for an event.

Table 3-21

Event Site-Selection Trends - Factors for Venues			
Factor	1 = Very Important	2 = Moderately Important	3 = Not Important
Cost (to you, the event management group)	91%	9%	0%
Costs (to exhibitors and attendees)	88%	10%	2%
Exhibit halls(s) size and quality	82%	16%	4%
Exhibit space layout (single floor, contiguous)	80%	17%	3%
Meeting room capacity and quality	78%	16%	6%
Quality and proximity of hotels	71%	20%	9%
Labor costs and service issues	65%	31%	4%
Food and beverage quality and costs	62%	36%	2%
Ballroom capacity	54%	32%	14%
Technology services and capabilities	45%	45%	10%
Airport access to venue and hotels	41%	42%	17%
Attached, headquarters hotel	41%	37%	22%
Regional population / demographics	34%	39%	27%
Parking availability	33%	46%	21%
Proximity to entertainment and restaurants	31%	52%	17%
Highway and mass transportation access	20%	57%	23%
Environmental sustainability	7%	65%	28%
Proximity to tourism and cultural amenities	7%	52%	41%
Proximity to recreational activities	5%	51%	45%
Source: R7M Research & Consulting			

While the walkability, entertainment and amenities of a potential host location are critical to the selection process, the factors coupled with the venue are just as significant. As seen from the previous tables, cost is a key element considered in all areas associated with a meeting or event. This is true of the venue itself. The cost to the event management group, exhibitors and attendees ranks the highest of all the considered components. The next vital areas of consideration for a venue are the size and quality of function space available.

Once a destination is selected, planners must then choose a hotel. The following table shows the important factors for selecting hotels within the destination.

Table 3-22

Important Factors when Selecting a U.S. Meeting Destination			
	Convention	Association Meeting	Corporate Meeting
Number, Size and Quality of Meeting Rooms	93%	69%	81%
Negotiable Food, Beverage and Room Rates	87%	80%	79%
Cost of Hotel or Meeting Facility	82%	80%	80%
Number, Size and Quality of Sleeping Rooms	79%	54%	72%
Quality of Food Service	70%	63%	70%
Source: Meetings Market Report			

As shown, this reinforces the importance of the availability of the right spaces and the fees for those spaces as primary factors.

The following table reflects changes in the event and meeting planner's events and show.

Table 3-23

Changes in Event & Meeting Planner's Events and Shows	
Changes	Percentage
Increased Negotiations	72%
Requiring more telecom/internet bandwidth and related services	72%
Shorter booking windows, they are booking closer to the event dates	68%
Requiring higher-quality food and beverage	52%
Event attendance is growing	40%
Events are getting larger in terms of space requirements	40%
Requiring attendance promotion assistance	32%
Short Events in terms of total number of days	28%
Events attendance is declining	20%
Events are getting smaller in terms of space requirements	20%
Asking for more Public Relations assistance and outreach to city and regional leaders	16%
Shorter event day periods	12%
Focusing more on event design and ambiance	12%
Longer event day periods	8%
Longer booking windows, they are booking further from the event dates	8%
Other	4%
Source: Red 7 Media Research & Consulting	

As shown in the table, event and meeting planners are utilizing their leverage, being in a buyer's market, to increase negotiations for better deals. Their events and shows are requiring more telecom/internet bandwidth and higher-quality food and beverage. Even though 68 percent of events and shows are being booked closer to the event date compared to only eight percent being booked further in advanced, 32 percent of events and shows are requiring attendance promotion assistance, which puts more pressure on convention centers and exhibit halls.

The following table displays the importance of information sources for attracting events and shows.

Table 3-24

Event Site-Selection Trends - Information Sources	
Information Source	Importance
Past Experience	89%
Attendance Feedback	79%
Reputation/Image of Location	71%
Hotel Rating/User Review Sites	41%
Meeting Facility Web Sites	38%
Destination Web Sites	38%
Business Contacts at Location	24%
Travel Magazine Articles	15%
Social Networks/Media	14%
"Fam" Trips	13%
Trade Magazine Articles	13%
Travel Brochures	10%
Trade Shows	9%
Incoming Email	9%
Newspaper Articles	9%
Meeting Planning Firms/DMOs	8%
Trade Magazine Advertising	7%
E-mail Promotions*	7%
Webinars*	7%
Online Trade Publications	4%
Virtual Trade Shows	4%
CDs/DVDs	3%
Destination Blogs	3%
Bureau Sales Calls	3%
Podcasts	3%
Direct Mail Promotions	2%
Source: Metropoll Highlights Report XIV	

The most important information source that dictates whether or not event and meeting planners choose a site is past experience, followed by attendance feedback. The only other information source above 50 percent is the reputation/image of the location. Websites for hotel ratings and user reviews, meeting facilities, and destinations also had a more significant impact on attracting events and shows than other listed information sources.

The following table highlights the critical components for site-selection and what is considered important in proposals from CVBs, venues and/or hotels.

Table 3-25

Event Site-Selection Trends - Necessary Proposal Components	
Item	Percentage
Hotel rebates or discounts	82%
Exhibit hall discounts	75%
Having everything "under one rood"	73%
Other venue or hotel related service discounts or credits	49%
Source: Red 7 Media Research & Consulting	

Most event and meeting planners consider hotel rebates or discounts a necessary proposal component involved in site-selection. Exhibit hall discounts as well as having all the event space and hotels under one roof are necessary proposal components.

The following table shows the preferred locations for consumer public shows.

Table 3-26

Event Site-Selection Trends Preferred Location	
Location	Percentage
Suburban area	69%
Urban downtown area	31%
Airport area	8%
Ocean beach area	8%
Fairgrounds	8%
Source: Red 7 Media Research & Consulting	

A suburban area location is most preferred for consumer public shows, followed by urban downtown area.

The table below shows the importance of proximate amenities.

Table 3-27

Event Site-Selection Trends - Areas and Amenities			
Areas & Amenities	Very Important	Moderately Important	Not Important
On-Site or Near-by Parking	100%	0%	0%
Highway access	75%	25%	0%
Hotels	64%	18%	18%
Proximity to restaurants and bars	36%	45%	18%
Proximity to mass transit access	33%	50%	17%
Suburban areas	25%	50%	25%
Entertainment areas	18%	45%	36%
Downtown business district	17%	50%	33%
Proximity to tourism, cultural attractions	8%	58%	33%
Airport	8%	33%	58%
Sports facilities	8%	17%	75%
Universities/Colleges	8%	17%	75%
Ocean beachfront areas	8%	8%	83%
Proximity to recreational activities	0%	58%	42%
Manufacturing bases	0%	25%	75%
Resorts	0%	25%	75%
Casino/Gaming Destination	0%	8%	92%
Source: Red 7 Media Research & Consulting			

On-site or near-by parking availability is a critical issue for most public-consumer public shows. Related to parking is highway access, which is another critical issue. Event and meeting planners want attendees to have easy and convenient access to the facility with plenty of available parking once they arrive. Another very important issue is hotels for exhibitors and attendees to stay.

The following table shows preferred host location factors.

Table 3-28

Event Site-Selection Trends - Host City Key Factors			
Host City Factors	Very Important	Moderately Important	Not Important
Convention center and exhibition hall size and quality	82%	18%	0%
Total population, demographics	82%	9%	9%
Labor costs and service issues	45%	45%	9%
Road and highway access	45%	27%	27%
Facilities "under one roof"	40%	40%	20%
Hotel room prices and quality	36%	45%	18%
Hotel room availability and capacity	27%	36%	36%
Proximity of HQ hotel(s) to the convention center	27%	36%	36%
Destination appeal to attendees	27%	27%	45%
Concentration of our members, clients or industry professionals in the city and region	20%	60%	20%
Climate/weather	0%	55%	45%
Airport capacity and airfares	0%	27%	73%
Cultural and entertainment amenities	0%	27%	73%
Source: Red 7 Media Research & Consulting			

The most important key factor for host city selection is the convention center and exhibition hall size and quality. Planners need to ensure the facility has enough space to meet total attendance and parking requirements. The other key factor is the demographics of the regional population. Planners want to know if there are enough consumers in key lifestyle categories and segments to draw a quality attendance.

The following table shows key factors when selecting a venue.

Table 3-29

Event Site-Selection Trends - Venue Key Factors			
Venue Factors	Very Important	Moderately Important	Not Important
Costs (to exhibitors and attendees)	100%	0%	0%
Costs (to you, the event management group)	100%	0%	0%
Exhibit halls(s) size and quality	90%	10%	0%
Exhibit space layout (single floor, contiguous)	90%	10%	0%
Parking availability	90%	0%	10%
Labor costs and service issues	80%	20%	0%
Regional population/demographics	80%	20%	0%
Highway and mass transportation access	60%	20%	20%
Food and beverage quality and costs	30%	50%	20%
Quality and proximity of hotels	20%	60%	20%
Meeting room capacity and quality	20%	40%	40%
Ballroom capacity	11%	33%	56%
Environmental sustainability	10%	80%	10%
Airport access to venue and hotels	10%	40%	50%
Attached, headquarters hotel	10%	40%	50%
Proximity to entertainment and restaurants	10%	40%	50%
Technology services and capabilities	0%	80%	20%
Proximity to recreational activities	0%	20%	80%
Proximity to tourism and cultural amenities	0%	20%	80%
Source: Red 7 Media Research & Consulting			

Costs to both the event management group as well as the exhibitors and attendees are the most important key factors when selecting venues. The exhibit halls size, quality and layout are also critical factors in the selection process along with parking availability. Other primary factors for public-consumer public shows include labor costs and service issues as well as regional population demographics. Other factors are secondary concerns of planners when selecting a venue.

The following table lists the 2012 top 50 U.S. convention and exhibition/tradeshow host cities, the latest listing available.

Table 3-30

Top 50 U.S. Convention & Exhibition / Tradeshow Host Cities 2012					
Host City		# Events	Host City		# Events
1	Las Vegas	467	26	Philadelphia	66
2	New York	297	27	Anaheim	62
3	Chicago	241	28	Baltimore	62
4	Orlando	194	29	Oklahoma City	62
5	Dallas	169	30	Miami Beach	59
6	Atlanta	167	31	Raleigh	59
7	Denver	160	32	Austin	58
8	San Diego	143	33	Fort Worth	58
9	Los Angeles	130	34	Wilmington	54
10	San Francisco	112	35	Louisville	53
11	Boston	110	36	Pasadena	53
12	Washington, DC	106	37	Sacramento	53
13	Columbus	105	38	Chantilly	51
14	San Antonio	103	39	Rosemont	51
15	Indianapolis	97	40	West Palm Beach	48
16	Houston	91	41	Santa Clara	47
17	Phoenix	91	42	Tucson	47
18	Charlotte	88	43	Novi, MI	46
19	Portland, OR	79	44	Miami	45
20	Seattle	79	45	Reno	44
21	Nashville	78	46	Richmond, VA	44
22	Long Beach	73	47	Hartford	43
23	Minneapolis	71	48	Grand Rapids, MI	41
24	Tampa	71	49	Kissimmee	40
25	New Orleans	69	50	San Jose	40

Source: R7M, TSNN

As seen from this table, there are no cities in South Carolina that are ranked in the top 50 U.S. convention and exhibition/tradeshow host cities. Several cities in the region surrounding Greenville are ranked: Atlanta (6), Charlotte (18), Raleigh (31) and Wilmington (34).

Consumer Shows

Consumer shows are a key component of convention center use and generate perhaps the greatest share of rent revenue, although have low hotel and other economic impacts because most attendees are local. Other revenue is generally minimal beyond concessions. Consumer shows are public, ticketed events produced by private companies to promote a particular industry, such as the bridal/wedding business, gun/knife, home/garden, etc. This is primarily the role of the TD Convention Center in Greenville currently and its impact is unfortunately small when the net operating loss is factored into the equation.

The following table shows the breakdown of public-consumer public show organization ownership.

Table 3-31

Public-Consumer Show Ownership Structure	
Type	Percent
Private	53%
Association	32%
Partnership	3%
Other	13%
Source: Red 7 Media Research & Consulting	

The majority of public-consumer public shows are owned by private organizations. Association ownership is the second-largest type of ownership, with 32 percent.

The following table shows the size of respondents' largest consumer public show held in net square feet, number of exhibiting companies and attendance.

Table 3-32

Size of Largest Consumer Show			
	Net Square Feet	Exhibiting Cos.	Attendance
Average	180,758	299	38,101
Median	115,000	206	17,000
Source: Red 7 Media Research & Consulting			

The average size of the respondents' largest consumer public show utilizes more than 180,000 net square feet and the median is 115,000 square feet. This suggests that there are a number of very large consumer public shows that pull the average much higher than the median. The median figure for attendance of 17,000 is closer to the typical consumer public show attendance in a large market that HSP sees during its work.

The following table shows what type of shows are respondents' event types.

Table 3-33

Largest Show Consumer Show Event Type	
Event Type	Percent
Home and Garden	16%
Boats and Marine	8%
Automotive	5%
Sports and Recreation	5%
Education	3%
Outdoor, Hunting and Fishing	3%
Other	61%
Source: Red 7 Media Research & Consulting	

Home and Garden shows are typically the largest event type of all consumer public shows, followed by boat and marine shows. The top six consumer public show types are typical shows held in exhibition spaces across the country. Other types of shows make up the majority and these can include a wide variety of events, from jewelry, coin, toys, Lego, etc.

Based on feedback from consumer public show owners, the average total gross revenue for the largest, most important show is approximately \$1.16 million, while the median is \$500,000.

The following table shows a breakout in terms of gross revenue for respondents' largest show.

Table 3-34

Largest Consumer Show Gross Revenue Sources	
Revenue Source	Average %
Exhibit Booth Sales	67.6%
Admission/Ticket Sales	19.8%
Sponsorships	10.6%
Print Advertising	0.7%
Online/Website Advertising	0.1%
Other	1.3%
Source: Red 7 Media Research & Consulting	

There are three primary revenue sources for a consumer public show. Exhibit booth sales is the largest revenue source for consumer public shows, accounting for two-thirds of gross revenue. Booth sales are followed by ticket sales and sponsorship at 19.8 and 10.6 percent, respectively.

Implications

The convention and conference event industry is diverse and responds well to facilities that can accommodate their needs, such as assembly space for general sessions and displays, ballroom facilities and numerous breakout-meeting rooms. Supply has been outpacing demand in the convention and

meetings industry, even before the economic downturn in 2008. Even in the economic downturn, however, more than 65 percent of convention and meetings facilities expanded, renovated or built new facilities. This hurt pricing power for facilities over the past several years, but as the economy and meetings expand, balance is being restored to the supply/demand mix. For those communities with the right mix of facilities and attractiveness, the return on investment can be quite measurable, in jobs, business activity and tax revenue. Since 2013, the meetings and convention business has been expanding at a rapid pace, in many cases faster than the growth in corporate or leisure business. However, events are shorter today than in the past and companies often send fewer attendees or booth attendants/salespeople. Overall, the industry today is about the same size as it was in 2000, yet with many more facilities and adjacent hotel packages to choose from.

Important factors in the decision process of choosing a convention or meeting site include availability of nearby hotel rooms, cost of travel, and meeting space in the facility and hotels. The most important types of meeting space now are the number of breakout meeting rooms and ballrooms. Expo and exhibition space are still important, but less so now than in the past. Higher rated business (e.g. corporate, medical, associations that are willing to pay more for better facilities and experiences) needs many breakout rooms and high quality ballrooms to conduct their trainings and other meetings.

Is investment in this industry worth it? For those that construct and manage the right set of facilities within an attractive market, yes. Those that put the right package together (hotels and the right kinds of function space in a walkable environment) will generate new meetings and event business. Enhancing the 'fun' side of the community, such as a nearby downtown or entertainment/restaurant district, will provide the community more to sell against its competitors. Ultimately, those cities with a competitive package will generate a constant flow of group and event business that will support a number of hotels, restaurants and jobs.

Greenville has a captivating, walkable and authentic downtown. However, even the smallest convention facilities with 30,000 square feet of exhibit space ultimately need at least 120,000 square feet (or more) of space, when one factors in the ballroom, meeting room, pre-function space and back-of-house/service space. At a cost of \$500+/square foot, even the smallest of facilities will take up four acres under one roof and cost \$60 million. Expansion space and parking, as well as a connected headquarters hotel will likely take another four to six acres, depending on how vertically they are designed. These also cost money (and more when they are built taller), and the private sector has little incentive to risk these investments, so it falls to the public sector.

For those communities that can make it work and consistently work, there is a big fiscal and economic payday in the form of hotel and other taxes, jobs and urban activity. It also shows off the community as a place to live, work and visit again. Yet that upfront investment is large, and the ongoing support is also quite significant.

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MEETINGS MARKET ANALYSIS

In order to understand how Greenville compares and competes with other statewide and regional meeting and event options, competitive convention and event markets and facilities were identified and analyzed. Competitive facilities are identified by type, which include regional convention centers and individual large meeting hotels.

Local Meeting Market Analysis

The local meeting market area consists mainly of several hotels with meeting space, an arena and a conference center. With the exception of the multiple hotels within the city, which have limited function space, the few other facilities are event spaces intended more for small meetings and special events.

The following table shows the function space for the venues in the Greenville Area in comparison to the TDCC.

Table 4-1

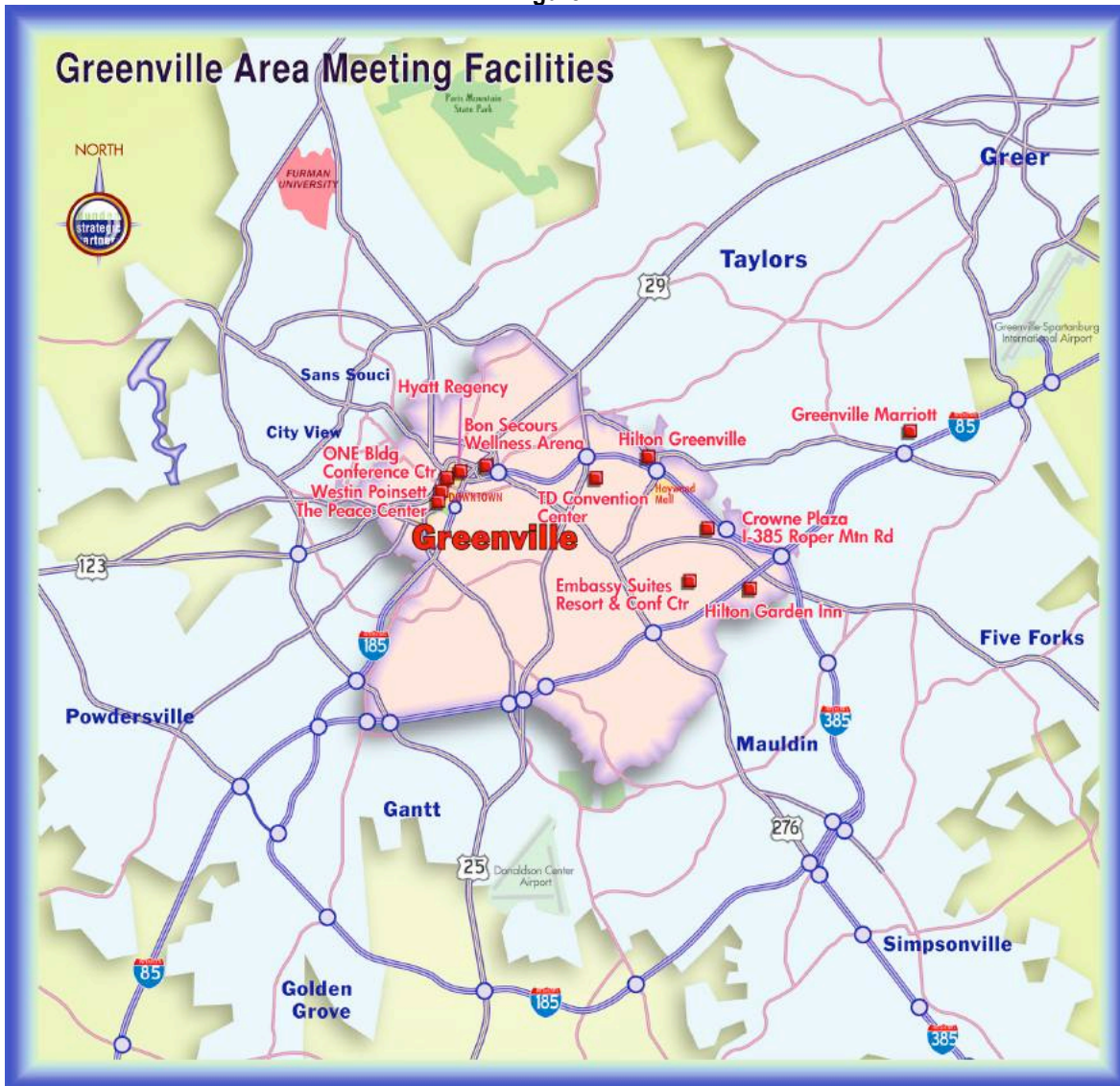
Greenville, SC Local Meeting Market Analysis							
Facility	Distance from Downtown (miles)	Total Function Space	Exhibit Space	Ballroom Space	Meeting Space	Breakout Rooms	Hotel Rooms
Bon Secours Wellness Arena	0.9	25,800	25,800	--	--	--	--
Hyatt Regency Greenville	0.4	23,363	--	17,981	5,382	24	327
Embassy Suites Greenville Resort & Conference Center	5.7	18,470	--	14,342	4,128	16	268
Peace Center (Huguenot Mill)	0.1	11,785	--	--	11,785	3	--
Hilton Greenville	4.5	11,512	--	8,952	2,560	13	256
Greenville Marriott	9.3	11,494	--	8,044	3,450	14	203
Westin Poinsett	0.1	9,622	--	6,455	3,167	8	200
Conference Center at Greenville ONE	0.4	6,900	--	--	6,900	18	--
Crowne Plaza Greenville I-385 Roper Mountain Road	5.9	5,592	--	4,200	1,392	6	202
Hilton Garden Inn Greenville	7.6	4,282	--	2,508	1,774	4	120
Average	3.49 miles	12,882	25,800	8,926	4,504	12	225
TD Convention Center	3.5	339,870	280,000	30,000	29,870	18	247

Source: Various Event Facilities, Hunden Strategic Partners

As the table shows, the meetings market consists of the TDCC, Bon Secours Wellness Arena, Peace Center and hotel properties. There is a large gap in the function space between the TDCC and the other venues. Additionally, the arena and Peace Center are non-traditional venues that are sports and entertainment first and supplement their event calendar with meetings. There is also disparity in the quality of meeting spaces in Greenville. The Hyatt Regency is the primary hotel meeting facility in downtown Greenville.

The following map shows the meeting facilities in the Greenville area.

Figure 4-1



As the map shows, in addition to the TDCC there are several hotels with meeting space, an arena and a conference center.

Bon Secours Wellness Arena, "The Well," is the only venue in addition to the TDCC that offers any exhibit space. The Well has 25,800 square feet of exhibit space, which is much smaller than the 280,000 square feet that the TDCC offers. The Hyatt Regency and Embassy Suites Resort & Conference Center offer the most ballroom space outside of the TDCC. The Regency Ballroom at the Hyatt Regency is 14,381 square feet with ten divisions. The Teal Ballroom contains 3,600 square feet with no divisions. The Peace Center, with 11,785 square feet of meeting space, offers an alternative venue for certain meeting and event types. The Peace Center offers creative spaces with a different look and feel than typically offered at traditional meeting

facilities. These spaces are regularly used for banquets, social events and private parties. The remainder of hotel properties offer modest meeting spaces that can accommodate smaller events as well as overflow meeting space needs that may come from the TDCC or Hyatt Regency.

Bon Secours Wellness Arena

Bon Secours Wellness Arena was built in 1998. The arena is located approximately one mile from the center of downtown Greenville. Bon Secours is home to the Greenville Swamp Rabbits of the EHCL and Clemson's Men's Basketball Team during the 2015-16 season while their home court is renovated. In 2013, a three-year renovation of the arena started, which has included installation of a new curtain system, a 360-degree ribbon board, a high definition video score board, digital menu boards and concourse signage, parking lot upgrades, new risers, two new outdoor marquees, upgrades to the concourse and ticket office and renovations to the back stage area.

The following table shows the function space of the Bon Secours Wellness Arena.

Table 4-2

Bon Secours Wellness Arena Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Exhibit Facilities			
Arena Floor	25,890		
	25,890		
Hotel Rooms	--		
Total Exhibit Space	25,890		
Total Ballroom Space	--		
Total Meeting Space	--		
Total Function Space	25,890		

Source: Bon Secours Arena, Cvent, Hunden Strategic Partners

As the table shows, Bon Secours Wellness Arena has a 25,800-square foot arena floor that can be used as exhibit space.

The following figure shows the Bon Secours Wellness Arena after the second phase of the renovations and prepped to host a hockey game.

Figure 4-2



The arena regularly hosts concerts, sports events, family shows, tenant events as well as occasional tradeshows and consumer shows. Although the arena can be utilized as a meeting facility, the primary use is for sports and entertainment events. Bon Secours is not expected to compete with a new meeting facility for meetings, conventions and other related events.

Hyatt Regency Greenville

The Hyatt Regency Greenville is located in downtown Greenville. The Hyatt Regency anchors the northeastern end of Main Street. It was built in 1982 and most recently renovated in 2013. The Hyatt Regency has 327 rooms. The Hyatt Regency is part of the walkable environment downtown and is a 0.5-mile walk, or 11-minute walk, down Main Street to the Reedy River.

The following table lists the function space for the Hyatt Regency Greenville.

Table 4-3

Hyatt Regency Greenville Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Ballroom Facilities			
Regency Ballroom	14,381		10
Teal Ballroom	3,600		1
	17,981		11
Meeting Room Facilities			
Crepe Myrtle Room	950		1
Boardroom	567		1
Azalea	496		2
Dogwood	672		2
Gardenia	651		2
Magnolia	620		2
Redbud	1,426		3
	5,382		13
Hotel Rooms	327		
Total Ballroom Space	17,981	/ Guest Room	55
Total Meeting Space	5,382		16
Total Function Space	23,363		71
Ballroom Divisions	11	/ 100 Guest Rooms	3.4
Meeting Room Divisions	13		4.0
Total Divisions (including Ballroom)	24		7.3

Source: Hyatt Regency Greenville, Cvent, Hunden Strategic Partners

The Hyatt Regency has two ballrooms that total nearly 18,000 square feet. The Regency Ballroom, the largest hotel ballroom in upstate South Carolina, has more than 14,000 square feet of space that is divisible into ten spaces. The Teal Ballroom has 3,600 square feet of space and is not divisible. The Hyatt Regency offers nearly 5,400 square feet of meeting space in six rooms that have 13 divisions. The Hyatt Regency Greenville hosts conventions, trade shows, receptions, weddings, meetings and special events.

Embassy Suites Greenville Resort & Conference Center

The Embassy Suites Greenville Resort & Conference Center, built in 1993 and renovated in 2015, is located 5.7 miles southeast of downtown Greenville off of I-85. The Embassy Suites offers 268 rooms. The following table shows the function space at the Embassy Suites.

Table 4-4

Embassy Suites Greenville Resort & Conference Center Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Ballroom Facilities			
Embassy Grand Ballroom	11,552		8
Carolina Junior Ballroom	2,790		4
	14,342		12
Meeting Room Facilities			
Palmetto Club	2,688		1
Asheville	540		1
Congaree	600		1
Hammons	300		1
	4,128		4
Hotel Rooms	268		
Total Ballroom Space	14,342	/ Guest Room	54
Total Meeting Space	4,128		15
Total Function Space	18,470		69
Ballroom Divisions	12	/ 100 Guest Rooms	4.5
Meeting Room Divisions	4		1.5
Total Divisions (including Ballroom)	16		6.0
Source: Embassy Suites Greenville, Cvent, Hunden Strategic Partners			

The Embassy Suites has a total of 18,470 square feet of function space. The 11,552- square foot Embassy Grand Ballroom is the largest meeting space and is divisible into eight spaces. The Carolina Junior Ballroom contains nearly 2,800 square feet of space with four divisions. The conference center has four meeting rooms with approximately 4,100 square feet of meeting space. There are a total of 16 breakout rooms that include the ballroom space. The Embassy Suites Greenville hosts conferences, meetings, special events and weddings.

The Peace Center for the Performing Arts

The Peace Center is located in downtown Greenville adjacent to Falls Park. It is a performing arts center with a concert hall, theater and amphitheater. The Peace Center was opened in November of 1990 and renovated in 2010. This venue hosts the Broadway Across America Series, concerts and comedians. The venue plays host to the performing arts organizations of Greenville, such as the Carolina Ballet Theatre, Greenville Chorale, Greenville County Youth Orchestras, Greenville Symphony Orchestra, International Ballet and South Carolina Children's Theater. In addition to the performance spaces, the Peace Center has a few meeting and event spaces for rent.

The following figure shows the Peace Center.

Figure 4-3



The following table shows the function space of the Peace Center.

Table 4-5

Peace Center Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Meeting Room Facilities			
Conference Room	730		1
Ramsaur Studio	2,655		1
Huguenot Mill Loft	8,400		1
	11,785		3
Hotel Rooms	--		
Total Meeting Space	11,785		
Total Function Space	11,785		
Meeting Room Divisions	3		
Total Divisions	3		

Source: Peace Center, Cvent, Hunden Strategic Partners

Besides the performing arts spaces, the Peace Center offers three meeting rooms that offer a total of 11,785 square feet of space.

The following figure shows the Huguenot Loft event space.

Figure 4-4



As shown, the primary event space in the Peace Center is not the traditional meeting space for meetings and conventions. The Huguenot Loft is a converted textile mill, with wood plank flooring, beam ceiling, exposed brick, and vintage architectural hardware that provides a more creative event space. The venue can accommodate up to 350 banquet style or as many as 500 for a reception.

Hilton Greenville

The Hilton Greenville is located 4.5 miles east of downtown Greenville and approximately two miles east of the TDCC off of I-385. The 256-room Hilton Greenville is one of the closest hotel properties to the TDCC.

The following table shows the function space at the Hilton Greenville.

Table 4-6

Hilton Greenville Function Space

Facilities	Total (SF)	By Division (SF)	Divisions
Ballroom Facilities			
Piedmont Ballroom	4,750		5
Anderson Room		1,175	
Oconee Room		576	
Laurens Room		1,175	
Pickens Room		576	
Spartanburg Room		1,175	
Grand Palmetto Ballroom	4,202		3
Grand Palmetto 1		1,320	
Grand Palmetto 2		1,320	
Palmetto Prefunction Area		1,300	
	8,952		8
Meeting Room Facilities			
Congaree Room	560		1
Executive Boardroom	560		1
Haywood Room	560		1
Orchard Park Room	560		1
Pelham Room	320		1
	2,560		5
Hotel Rooms	256		
Total Ballroom Space	8,952/ Guest Room		35
Total Meeting Space	2,560		10
Total Function Space	11,512		45
Ballroom Divisions	8 / 100 Guest Rooms		3.1
Meeting Room Divisions	5		2.0
Total Divisions (including Ballroom)	13		5.1
Source: Hilton Greenville, Cvent, Hunden Strategic Partners			

The Hilton Greenville has two similarly-sized ballrooms in the Piedmont and Grand Palmetto Ballrooms at 4,750 square feet and 4,202 square feet, respectively. The two ballrooms account for the majority of meeting space at the property. The Hilton Greenville has five meeting rooms with 2,560 square feet. The Hilton Greenville hosts meetings, corporate functions, conferences, special events and weddings for up to 800 participants.

Greenville Marriott

The Greenville Marriott is located 9.3 miles east of downtown Greenville on I-85. The Marriott has 203 rooms. The Greenville Marriott is located the farthest from downtown of all the profiled properties. The following table presents the function space at the Greenville Marriott.

Table 4-7
Greenville Marriott Function Space

Facilities	Total (SF)	By Division (SF)	Divisions
Ballroom Facilities			
Chateau Ballroom	4,644		6
Chateau I		396	
Chateau II		396	
Chateau III		396	
Chateau IV		1,188	
Chateau V		1,188	
Chateau VI		1,080	
Champagne Ballroom	3,400		3
Champagne I		1,175	
Champagne II		1,150	
Champagne III		1,150	
	8,044		9
Meeting Room Facilities			
Zinfandel Room	966		1
Zin Room	180		1
Bordeaux Boardroom	368		1
Claret Boardroom	376		1
Meritage	1,560		1
	3,450		5
Hotel Rooms	203		
Total Ballroom Space	8,044 / Guest Room		40
Total Meeting Space	3,450		17
Total Function Space	11,494		57
Ballroom Divisions	9 / 100 Guest Rooms		4.4
Meeting Room Divisions	5		2.5
Total Divisions (including Ballroom)	14		6.9
Source: Greenville Marriott, Cvent, Hunden Strategic Partners			

Similar to the Hilton Greenville, the Greenville Marriott has as approximately 11,500 square feet of function space. The Marriott offers two ballrooms that total 8,000 square feet and another 3,450 square feet of meeting rooms. The meeting space is divided amongst three meeting rooms and two boardrooms.

Westin Poinsett

The 200-room Westin Poinsett is located towards the southern end of Main Street in downtown Greenville and a four-minute walk from the Peace Center and a six- minute walk to Falls Park. The following table shows the function space at the Westin Poinsett.

Table 4-8

Westin Poinsett Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Ballroom Facilities			
Poinsett Ballroom	3,250		1
Gold Ballroom	3,205		1
	6,455		2
Meeting Facilities			
Card Room	900		1
Francis Marion Room	840		1
Furman Room	420		1
Palmetto Room	390		1
Alexander Boardroom	365		1
Stoddard Room	252		1
	3,167		6
Hotel Rooms	200		
Total Ballroom Space	6,455 / Guest Room		32
Total Meeting Space	3,167		16
Total Function Space	9,622		48
Ballroom Divisions	2 / 100 Guest Rooms		1
Meeting Room Divisions	6		3
Total Divisions (including Ballroom)	8		4

Source: Westin Poinsett, Cvent, Hunden Strategic Partners

The Westin Poinsett has two modest-sized ballrooms that each offers more than 3,200 square feet. The Poinsett Ballroom has 3,250 square feet of space. The Gold Ballroom offers 3,205 square feet of space. Neither ballroom is divisible into smaller meeting spaces. The Westin Poinsett has six meeting rooms with over 3,100 square feet of meeting space. As the second largest hotel in downtown Greenville, the Westin Poinsett is also regularly used as a site for smaller events as well as host hotel for events.

Conference Center at Greenville ONE

The Conference Center at Greenville ONE is located in downtown Greenville at the intersection of Main Street and Washington Street. The Conference Center at Greenville ONE has an auditorium and conference center with specialized classroom and conference rooms on three floors. The following table outlines the function space at the Conference Center at Greenville ONE.

Table 4-9

Conference Center at Greenville ONE			
Facilities	Total (SF)	By Division (SF)	Divisions
Meeting Room Facilities			
Level 02	1,600		6
Level 03	5,300		12
	6,900		18
Other Space			
Auditorium	4,700		
Hotel Rooms	--		
Total Meeting Space	6,900		
Other Space	4,700		
Total Function Space	6,900		
Meeting Room Divisions	18		
Total Divisions	18		

Source: Conference Center at Greenville ONE, Cvent, Hunden Strategic Partners

The Conference Center at Greenville ONE will have nearly 7,000 square feet of true function space, with another 4,700 square feet provided by an auditorium. There are a total of 18 meeting rooms through the three floors of the conference center. The ONE Center offers strictly meeting rooms and classrooms that are specialized and lack the flexibility a traditional convention center offers.

Crowne Plaza Greenville I-385 Roper Mountain Road

The Crowne Plaza Greenville I-385 Roper Mountain Road is located 5.9 miles southeast of downtown Greenville on I-385. The Crown Plaza has 202 rooms. The following table shows the function space of the Crowne Plaza Greenville I-385 Roper Mountain Road.

Table 4-10

Crowne Plaza Greenville I-385-Roper Mtn Rd Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Ballroom Facilities			
Metropolitan Ballroom	4,200		4
	4,200		4
Meeting Room Facilities			
Main Boardroom	1,092		1
Executive Boardroom	300		1
	1,392		2
Hotel Rooms	202		
Total Ballroom Space	4,200 / Guest Room		21
Total Meeting Space	1,392		7
Total Function Space	5,592		28
Ballroom Divisions	4 / 100 Guest Rooms		2.0
Meeting Room Divisions	2		1.0
Total Divisions (including Ballroom)	6		3.0

Source: Crowne Plaza Greenville I-385-Roper Mtn Rd, Cvent, Hunden Strategic Partners

As the table shows, the Crowne Plaza Greenville I-385 Roper Mountain Road has the Metropolitan Ballroom with 4,200 square feet of space and four divisions. The Crowne Plaza also offers nearly 1,400 square feet of meeting space in two boardrooms.

Hilton Garden Inn Greenville

The Hilton Garden Inn Greenville is located 7.6 miles southeast of Greenville on I-85. The Hilton Garden Inn Greenville has 120 rooms. The following table shows the function space of the Hilton Garden Inn Greenville.

Table 4-11

Hilton Garden Inn Greenville Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Ballroom Facilities			
The Sycamore Ballroom	2,508		2
	2,508		2
Meeting Room Facilities			
Serendipity	990		1
The Hearth	784		1
	1,774		2
Hotel Rooms	120		
Total Ballroom Space	2,508 / Guest Room		21
Total Meeting Space	1,774		15
Total Function Space	4,282		36
Ballroom Divisions	2 / 100 Guest Rooms		1.7
Meeting Room Divisions	2		1.7
Total Divisions (including Ballroom)	4		3.3

Source: Hilton Garden Inn Greenville, Cvent, Hunden Strategic Partners

As the table shows, the Hilton Garden Inn Greenville has the Sycamore Ballroom with more than 2,500 square feet of space with two divisions. The Hilton Garden Inn also has two meeting rooms with nearly 1,800 square feet.

Implications

The Greenville meetings market consists of the TDCC, an arena, a performing arts center, a conference center and several hotels. The majority of the venues are located in downtown Greenville with the remainders mostly located along I-385 east of downtown. The TDCC offers sufficient space for large conventions but there are no walkable hotels. As a result, most conventions must contract with multiple hotel properties and make arrangements to shuttle guests from the hotels to the TDCC. None of the hotels have significant function space for large groups either. The Hyatt Regency is the largest facility downtown that accommodates groups with its ballroom, meeting rooms as well as pre-function space. The other option is for groups to use function space and rooms at several hotels to accommodate all of their needs. Many event planners try to minimize logistics of getting attendees to and from meeting facilities, which is why walkable hotels, meeting facilities and amenities are highly preferred.

REGIONAL CONVENTION AND MEETING FACILITIES

Greenville's primary competition will come from South Carolina, greater Atlanta area, North Carolina and eastern Kentucky convention centers and large hotels with substantial meeting space. The following facilities have been identified as the primary competitive set for convention centers in the competitive region.

The following table shows the South Carolina and regional convention facilities that compete for convention and meeting business. The table includes total function space and breaks that space down into exhibit space, ballroom space and meeting room space. It also shows walkable/proximate hotels and hotel rooms. Walkable hotels are those within approximately 1,200 to 1,500 linear feet from the primary convention or event facility. In order to provide a sense of the competitive supply, HSP investigated the meeting facilities in the region with more than 30,000 square feet of total function space.

The following table lists the regional competitive meeting facilities.

Table 4-12

Competitive Environment - Convention and Event Centers								
Facility	Location	Total Function Space	Exhibit Space	Ballroom Space	Meeting Room Space	Walkable Hotels	Walkable Hotel Rooms	Walkable Hotel Rooms/ 10k SF of Function Space
Georgia World Congress Center	Atlanta, GA	1,657,818	1,366,000	58,722	233,096	5	1,992	12
Atlanta Convention Center at AmericasMart	Atlanta, GA	730,997	677,218	6,050	47,729	18	8,421	115
Charlotte Convention Center	Charlotte, NC	375,321	280,000	35,000	60,321	9	2,478	66
Raleigh Convention Center	Raleigh, NC	208,102	145,843	32,617	29,642	2	753	36
Georgia International Convention Center	Atlanta, GA	206,580	151,200	40,300	15,080	2	550	27
Cobb Galleria Center	Atlanta, GA	183,698	144,000	25,000	14,698	4	1,009	55
Knoxville Convention Center	Knoxville, TN	181,406	119,922	27,300	34,184	5	844	47
Hyatt Regency Atlanta	Atlanta, GA	161,939	58,253	56,150	47,536	18	8,078	499
Savannah International Trade and Convention Center	Savannah, GA	141,904	97,750	25,000	19,154	1	403	28
Chattanooga Convention Center	Chattanooga, TN	139,470	100,000	17,466	22,004	7	1,271	91
Myrtle Beach Convention Center	Myrtle Beach, SC	131,931	100,800	16,890	14,241	1	402	30
Sevierville Convention Center	Sevierville, TN	129,615	108,245	19,290	2,080	2	394	30
Hilton Atlanta	Atlanta, GA	122,333	41,000	39,000	42,333	9	5,845	478
Atlanta Marriott Marquis	Atlanta, GA	120,636	--	73,357	47,279	18	8,078	670
Charleston Area Convention Center	Charleston, SC	118,038	76,960	24,960	16,118	7	1,086	92
The Westin Peachtree Plaza	Atlanta, GA	102,080	--	53,235	48,845	18	8,465	829
Sheraton Greensboro at Four Season	Greensboro, NC	96,493	--	63,775	32,718	12	2,231	231
Gatlinburg Convention Center	Gatlinburg, TN	94,076	66,910	17,064	10,102	33	2,631	280
Infinite Energy Center	Duluth, GA	87,105	52,000	21,600	13,505	1	143	16
Omni Atlanta Hotel at CNN Center	Atlanta, GA	67,409	15,000	33,970	18,439	11	3,998	593
Jekyll Island Convention Center	Jekyll Island, GA	64,810	--	45,140	19,670	--	--	--
Sheraton Atlanta Hotel	Atlanta, GA	58,231	--	28,966	29,265	10	7,024	1,206
Columbia Metropolitan Convention Center	Columbia, SC	57,025	24,700	17,135	15,190	3	474	83
Wilmington Convention Center	Wilmington, NC	47,931	30,173	12,000	5,758	4	574	120
Embassy Suites by Hilton Myrtle Beach Oceanfront	Myrtle Beach, SC	46,343	--	27,360	18,983	2	608	131
Florence Civic Center	Florence, SC	34,250	--	14,500	19,750	9	860	251
Durham Convention Center	Durham, NC	31,762	--	26,996	4,766	3	398	125
Average	--	199,900	192,420	31,809	32,685	8.2	2,654	133
TD Convention Center	Greenville, SC	339,870	280,000	30,000	29,870	2	247	7
Difference from Average		139,970	87,580	-1,809	-2,815	-6	-2,407	-126

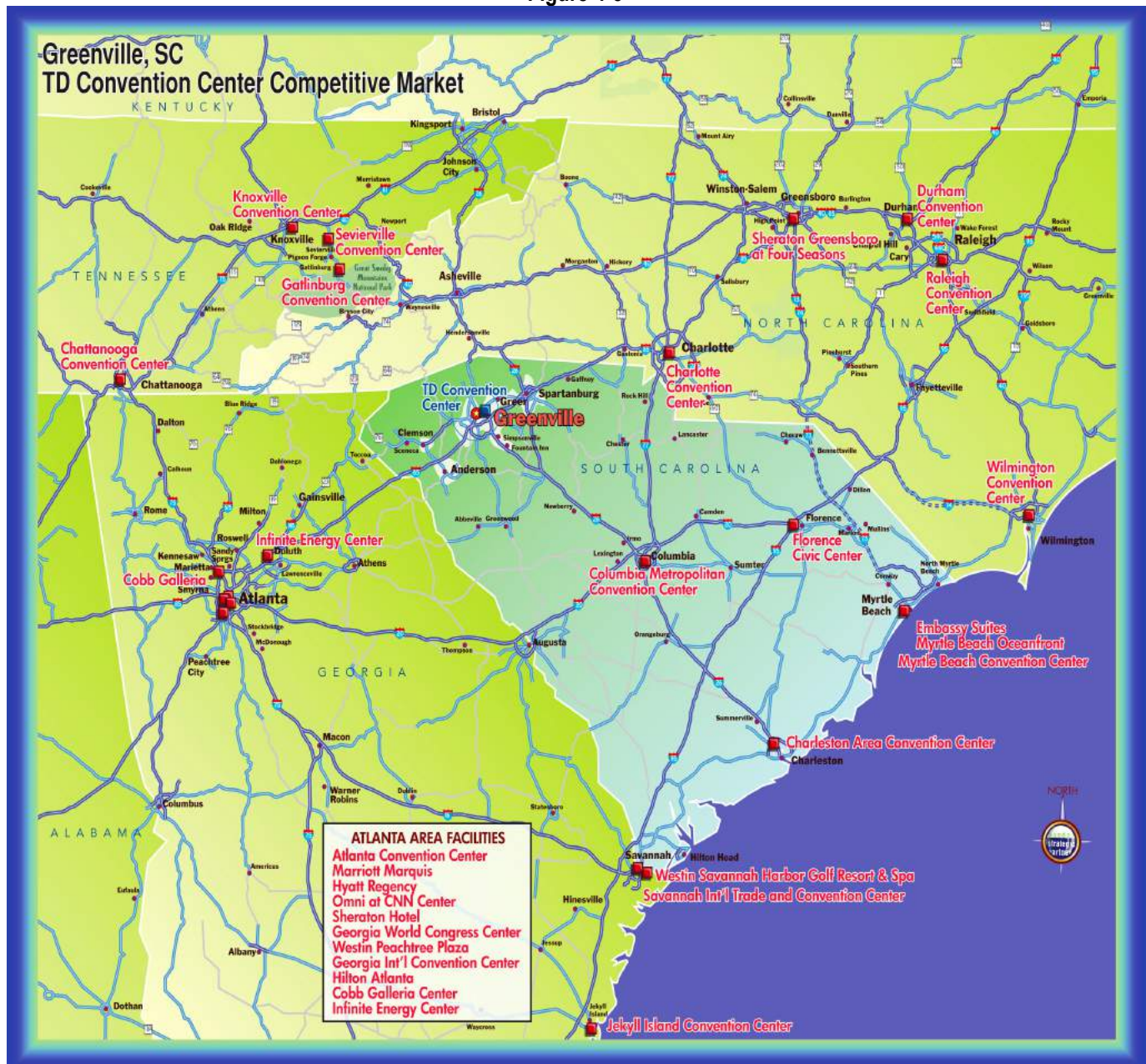
Source: Various Facilities, Hunden Strategic Partners

As shown, the Georgia World Congress Center in Atlanta, Georgia has the largest amount of function space with more than 1.6 million square feet. Due to Greenville's central location between Charlotte and Atlanta, facilities in Atlanta and North Carolina are likely to draw events that may consider Greenville due to the proximity, number of walkable hotels and proximate hotel rooms that each city offers, which is vital to any

convention or event center's success. Myrtle Beach, Charleston and Columbia are the competition from inside South Carolina. There is also additional competition in the surrounding states including Tennessee to the northwest as well as the Raleigh-Durham area to the northwest.

The following figure shows the location of the convention center and convention/conference hotel competition in the state and region.

Figure 4-5



As shown, there are a number of hotels and meeting facilities that offer more than 30,000 square feet of meeting space in the region. The larger regional convention centers and meeting facilities are concentrated in the Atlanta and Charlotte areas. There are several convention centers in South Carolina, but they are all a fair distance from Greenville. The Columbia Metropolitan Convention Center is the closest to Greenville, located 103 miles to the southeast.

South Carolina

The following facilities are identified as the larger venues commonly used by businesses and groups in the state of South Carolina.

Myrtle Beach Convention Center

The Myrtle Beach Convention Center (MBCC) is located in Myrtle Beach, South Carolina approximately 250 miles southeast of Greenville on the Atlantic coast. Adjacent to the MBCC is a 402-room Sheraton Hotel. The MSA population of Myrtle Beach is approximately 465,000. Myrtle Beach is a vacation destination that is known for its endless beaches and world-class golf. Myrtle Beach prospers during the winter months when people from the north travel south to escape the cold. This is also the time when most events are booked at the convention center as well.

The MBCC was completed in 1968 and renovated in 1994 at a cost of \$23 million. The expansion consisted of additional exhibit space and ballroom space. The facility is owned and operated by the City of Myrtle Beach. A 402-room Radisson Hotel was added to the facility, which was re-branded as a Sheraton Hotel.

The following table shows the function space of the Myrtle Beach Convention Center.

Table 4-13

Myrtle Beach Convention Center Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Exhibit Space			
Exhibit Hall	100,800		3
	100,800		3
Ballroom Facilities			
Grand Ballroom	16,890		5
	16,890		5
Meeting Room Facilities			
Meeting Room 101	1,200		1
Meeting Room 102	640		1
Meeting Room 103	640		1
Meeting Room 104	640		1
Meeting Room 105	640		1
Meeting Room 106	965		1
Meeting Room 107	965		1
Meeting Room 108	886		1
Meeting Room 201	570		1
Meeting Room 202	1,000		1
Meeting Room 203	950		1
Meeting Room 204	1,000		1
Meeting Room 205	950		1
Meeting Room 206	1,000		1
Meeting Room 207	570		1
Meeting Room 208	1,000		1
Meeting Room 209	625		1
	14,241		17
Walkable Hotel Rooms	402		
Total Exhibit Space	100,800	/ Guest Room	250.7
Total Ballroom Space	16,890		42.0
Total Meeting Space	14,241		35.4
Total Function Space	131,931		328.2
Ballroom Divisions	5	/ 100 Guest Rooms	1.2
Meeting Room Divisions	17		4.2
Total Divisions (including Ballroom)	22		5.5

Source: Myrtle Beach Convention Center, Cvent, Hunden Strategic Partners

The MBCC has approximately 132,000 square feet of meeting space. When the MBCC was expanded in 2005, it increased its exhibit space by 15 percent and doubled its ballroom space. According to management, the facility is in need of a junior ballroom due to issues with turning over the ballroom for the next event. If a convention uses more than one-third of the space in the convention center, then at least one-third of the attendees are required to stay in the hotel according to management.

The Sheraton Hotel has 402 rooms, which gives the facility a ratio of sleeping rooms to 1,000 square feet of function space of 3.1. The ratio of hotel rooms to 1,000 SF of exhibit space is 4.0. When considering hotel rooms to exhibit space in the overall industry, HSP research has indicated that most convention destinations show a ratio of 5 to 25 hotel rooms per 1,000 square feet of exhibit space, with most in the 10 to 15 range.

The impact of the onsite hotel is crucial to the success of the MBCC. According to the general manager, if the hotel was not located onsite then the Center would lose most of its events. The MBCC staffs are used for all meeting and banquet events in the Sheraton. The onsite hotel satisfies a large portion of total rooms needed for events.

Charleston Area Convention Center

The Charleston Area Convention Center Campus (CACC) is located 203 miles southeast of Greenville in Charleston, SC. The Charleston Area Convention Center Complex opened in 1999 and includes a convention center, an attached Embassy Suites Hotel, the North Charleston Performing Arts Center and the North Charleston Coliseum. It is located in North Charleston, two miles from the Charleston International Airport and approximately eight miles from downtown Charleston. The ECHL Charleston Stingrays play at the Coliseum. The Charleston Area Convention Center campus is owned by the City of North Charleston managed by SMG.

The following table shows the function space at the Charleston Area Convention Center.

Table 4-14

Charleston Area Convention Center Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Exhibit Space			
Exhibit Hall	76,960		4
	76,960		4
Ballroom Facilities			
Ballroom	24,960		6
	24,960		6
Meeting Room Facilities			
	16,118		19
Walkable Hotel Rooms	1,097		
Total Exhibit Space	76,960	/ Guest Room	70.2
Total Ballroom Space	24,960		22.8
Total Meeting Space	16,118		14.7
Total Function Space	118,038		107.6
Ballroom Divisions	6	/ 100 Guest Rooms	0.5
Meeting Room Divisions	19		1.7
Total Divisions (including Ballroom)	25		2.3

Source: Charleston Area Convention Center, Cvent, Hunden Strategic Partners

The Charleston Area Convention Center has more than 118,000 square feet of function space. The convention center consists of nearly 77,000 square feet of exhibit space, 25,000 square feet in one large, divisible ballroom, and 13 meeting rooms totaling 12,710 square feet. There are seven hotels with a total of 1,097 rooms within walkable distance to the convention center. The 255-room Embassy Suites is the headquarter convention hotel that is connected to the convention center.

Columbia Metropolitan Convention Center

The Columbia Metropolitan Convention Center (CMCC) is located 103 miles southeast of Greenville in Columbia, South Carolina, the state capital of South Carolina. The CMCC was opened in 2004. The CMCC has an exhibit hall, a ballroom and five meeting rooms. There are 474 walkable hotel rooms around the Columbia Metropolitan Convention Center.

The table below presents the function space at the Columbia Metropolitan Convention Center.

Table 4-15

Columbia Metropolitan Convention Center Function Space			
Facilities	Total (SF)	By Division (SF)	Divisions
Exhibit Space			
Exhibit Hall	24,700		1
	24,700		1
Ballroom Facilities			
Columbia Ballroom	17,135		3
	17,135		3
Meeting Room Facilities			
Hall of Fame	1,540		1
Congaree Room	2,135		2
Richland Room	5,540		3
Lexington Room	4,045		2
Carolina Room	1,930		2
	15,190		10
Walkable Hotel Rooms	474		
Total Exhibit Space	24,700/	Guest Room	52.1
Total Ballroom Space	17,135		36.1
Total Meeting Space	15,190		32.0
Total Function Space	57,025		120.3
Ballroom Divisions	3	/ 100 Guest Rooms	0.6
Meeting Room Divisions	10		2.1
Total Divisions (including Ballroom)	13		2.7

Source: Columbia Metropolitan Convention Center, Cvent, Hunden Strategic Partners

As shown in the table, the Columbia Metropolitan Convention Center has one exhibit hall with 24,700 square feet of space. The Columbia Ballroom offers 17,135 square feet of space with three divisions. There are five meeting rooms ranging in size from 1,540-5,540 square feet each with a total of nearly 15,200 square feet of meeting space with ten divisions.

Georgia

Georgia is home to many meeting and convention facilities with more than 30,000 square feet of function space. There are many in the Atlanta area, two in Savannah and one in Jekyll Island. The following table shows the function space of these facilities in Georgia in comparison to the TD Convention Center.

Table 4-16

Competitive Environment in Georgia - Convention and Event Centers								
Facility	Location	Total Function Space	Exhibit Space	Ballroom Space	Meeting Room Space	Walkable Hotels	Walkable Hotel Rooms	Walkable Hotel Rooms/ 10k SF of Function Space
Georgia World Congress Center	Atlanta, GA	1,657,818	1,366,000	58,722	233,096	5	1,992	12
Atlanta Convention Center at AmericasMart	Atlanta, GA	730,997	677,218	6,050	47,729	18	8,421	115
Georgia International Convention Center	Atlanta, GA	206,580	151,200	40,300	15,080	2	550	27
Cobb Galleria Center	Atlanta, GA	183,698	144,000	25,000	14,698	4	1,009	55
Hyatt Regency Atlanta	Atlanta, GA	161,939	58,253	56,150	47,536	18	8,078	499
Savannah International Trade and Convention Center	Savannah, GA	141,904	97,750	25,000	19,154	1	403	28
Hilton Atlanta	Atlanta, GA	122,333	41,000	39,000	42,333	9	5,845	478
Atlanta Marriott Marquis	Atlanta, GA	120,636	--	73,357	47,279	18	8,078	670
The Westin Peachtree Plaza	Atlanta, GA	102,080	--	53,235	48,845	18	8,465	829
Infinite Energy Center	Duluth, GA	87,105	52,000	21,600	13,505	1	143	16
Omni Atlanta Hotel at CNN Center	Atlanta, GA	67,409	15,000	33,970	18,439	11	3,998	593
Jekyll Island Convention Center	Jekyll Island, GA	64,810	--	45,140	19,670	1	200	31
Sheraton Atlanta Hotel	Atlanta, GA	58,231	--	28,966	29,265	10	7,024	1,206
Average	--	285,042	289,158	38,961	45,895	8.9	4,170	146
TD Convention Center	Greenville, SC	339,870	280,000	30,000	29,870	2	247	7

Source: Various Facilities, Hunden Strategic Partners

Large Convention Centers in Atlanta

There are two convention centers in Atlanta that have more than 500,000 square feet of total function space, the Georgia World Congress Center and the Atlanta Convention Center at AmericasMart.

- The **Georgia World Congress Center (GWCC)**, built in 1976 and renovated in 1985, is located 10.4 miles from Hartsfield-Jackson Atlanta International Airport in downtown Atlanta. It is on a 200+ acres campus that consists of the Georgia World Congress Center, the Georgia Dome and Centennial Olympic Park. Georgia World Congress Center has three multilevel buildings. Complex wide the GWCC has three divisible exhibit halls containing 1,366,000 square feet of exhibit space. Georgia World Congress Center has a 33,000 square foot ballroom and a 25,722 square foot ballroom. GWCC has 94 meeting rooms that total more than 230,000 square feet of meeting space throughout the buildings. The complex has three auditoriums. The convention center has five walkable hotels that offer 1,992 rooms. The facility is popular for large meetings, conferences, trainings and other events.
- The **Atlanta Convention Center at AmericasMart**, built in 2009, is located on the east side of Centennial Park across from the GWCC in downtown Atlanta. The Atlanta Convention Center at AmericasMart is comprised of three multi-floor buildings. The convention center has five exhibit halls that offer more than 675,000 square feet of space. The Penthouse Ballroom is on the 15th floor of Building 3. It contains 6,050 square feet. The Atlanta Convention Center at AmericasMart has 32 meeting rooms with 47,729 square feet of meeting space. The Westin Peachtree Plaza is connected to the Atlanta Convention Center at AmericasMart with 1,100 rooms. In addition, there are 17 other walkable hotel properties in the area that offer 7,321 rooms. This facility is popular for meetings, special events and tradeshow.

Mid Sized Convention Centers & Convention Hotels in Atlanta

There are nine properties in the greater Atlanta area that have more than 30,000 square feet but less than 250,000 square feet of function space. These properties are a mix of convention centers and large convention hotels. With the exhibit space the Georgia World Congress Center and the Atlanta Convention Center at AmericasMart provide these centers do not typically offer more than 55,000 square feet of exhibit space. The Georgia International Center and the Cobb Galleria Center both have more than 140,000 square feet of exhibition halls. Three of these properties do not have any exhibition space, such as the Westin Peachtree Plaza, which is connected to the Atlanta Convention Center at AmericasMart. These convention properties, on average, have 41,000 square feet of ballroom space with the Atlanta Marriott Marquis offering the most with 73,357 square feet. Meeting room space averages more than 30,000 square feet per property with the Hyatt Regency Atlanta and the Atlanta Marriott Marquis both offering more than 47,000 square feet of meeting space. With so many hotel rooms in downtown Atlanta there are typically several thousand hotels rooms in a walkable distance to these venues. The Infinite Energy Center has the least available walkable hotel rooms with 143. These properties do have an advantage over Greenville with the amount of walkable hotel rooms. The rooms make it easier on event planners to have the meeting space and hotel rooms without concerns of transportation.

Outside Atlanta

There are two convention centers outside of the Atlanta Area with more than 30,000 square feet of function space. The Savannah International Trade & Convention Center is in Savannah, 254 miles southeast of Greenville, and the Jekyll Island Convention Center is in Jekyll Island, 350 miles southeast of Greenville both on the Atlantic Coast. Only the Savannah International Trade & Convention Center has dedicated exhibit space with 97,500 square feet. The Jekyll Island Convention Center offers more of a flex-hall that has higher level finishes with carpet similar to a ballroom, but can also be dressed down to offer exhibit space for events. The flex space totals approximately 45,000 square feet and can be divided into eight divisions. This space has 22-foot ceilings so this space can be used as exhibit space also. The two convention centers have almost equal meeting space with more than 19,000 square feet each. The Jekyll Island Convention Center is the only convention center on the east coast south of New Jersey that is on the ocean. Both facilities have one walkable hotel. The Savannah International Trade & Convention Center is adjacent to the Westin Savannah Harbor Golf Resort & Spa that offers 403 hotel rooms, and the Jekyll Island Convention Center has a 200-room Westin that sits to the south of the facility. There are five other hotel properties within two miles of the Jekyll Island Convention Center.

Tennessee

Eastern Tennessee offers four convention facilities with more than 30,000 square feet of function space. Three of these facilities are in the Knoxville/Gatlinburg area with the fourth in Chattanooga. The three eastern facilities are located within 40 miles of each other and range from 94,000 square feet up to 180,000 square feet.

- **The Knoxville Convention Center**, built in 1981 and renovated in 1983, is located adjacent to the east of the University of Tennessee campus in Knoxville, Tennessee. The convention center occupies the former location of the US Pavilion of the 1982 World's Fair. The Knoxville

Convention Center has nearly 120,000 square feet of exhibit space. The convention center offers 27,300 square feet of space with six divisions. There are 25 meeting rooms that provide nearly 34,200 square feet of meeting space. The Knoxville Convention Center hosts a variety of tradeshow and sporting competitions. Around the convention center there are five walkable hotels with 844 rooms.

- **The Sevierville Convention Center.** Built in 2007, the center is located 157 miles northwest of Greenville in Sevierville, Tennessee, in the Great Smokey Mountains. The Sevierville Convention Center features 108,254 square feet of exhibit space and 19,290 square feet of ballroom space divisible into four rooms. The convention center offers three meeting rooms with nearly 2,100 square feet of meeting space. There are two walkable hotels with a total 394 rooms. The Sevierville Convention Center hosts trade shows, conventions, consumer shows and has become a regular host facility for large volleyball tournaments.
- **The Gatlinburg Convention Center** is located approximately 20 miles from the Sevierville Convention Center and 35 miles from the Knoxville Convention Center. The Gatlinburg Convention Center features nearly 67,000 square feet of exhibit space and the Tennessee Ballroom with 17,064 square feet with four divisions. The complex offers 18 meeting rooms with more than 10,100 square feet of meeting space. There are 33 walkable hotels with 2,631 rooms. Gatlinburg offers the most walkable hotel rooms compared to the three other eastern Tennessee facilities. The Gatlinburg Convention Center hosts trade shows, competitions, religious conferences, corporate and association meetings.
- **The Chattanooga Convention Center** is located in southeast Tennessee approximately 140 miles from the cluster of convention centers in eastern Tennessee as well as 120 miles from the greater Atlanta area. The Chattanooga Convention Center offers 100,000 square feet of exhibit space and more than 17,400 square feet of ballroom space divisible into six rooms. There are 21 meeting rooms providing over 22,000 square feet. Around the Chattanooga Convention Center there are seven walkable hotels with 1,271 rooms. The convention center hosts a variety of meetings, conventions and special events.

North Carolina

North Carolina has five convention facilities that have more than 30,000 square feet of function space. They are located throughout the state with two in the Raleigh-Durham area and one in each of the following: Greensboro, Wilmington and Charlotte. Within the Raleigh-Durham metropolitan area are a large number of convention centers and conference centers due to both the existence of major population centers as well as the large research universities in the region, mainly consisting of the University of North Carolina in Chapel Hill, Duke University in Durham and North Carolina State University in Raleigh. Also, Raleigh is the state capital of North Carolina, which is one of the nation's fastest growing in terms of population. The capital region is a center of activity for statewide associations, groups and visitors. Because of these factors, the demand for premium meeting space is higher than most metropolitan regions of the same size.

The following facilities are identified as the larger venues commonly used by businesses and groups in the state of North Carolina. The facilities include large convention centers, and a hotel conference center.

- The **Raleigh Convention Center** was built in 2008 and features more than 208,000 square feet of exhibit, ballroom and meeting space. The Raleigh Convention Center is the second largest convention center in North Carolina behind the Charlotte Convention Center. The largest meeting space is the 146,843-square foot exhibit hall. The convention center has 20 meeting rooms totaling more than 32,000 square feet. The connected Raleigh Marriott City Center adds 9,052 square feet of ballroom space with an additional 15 breakout meeting rooms and 390 onsite hotel rooms. It is a preferred location for state association meetings due to its quality facilities and proximity to the decision makers in the state capital. The hotel is a popular hotel during the week for corporate visitors, group and corporate meetings and on the weekend for leisure groups.
- The **Durham Convention Center** in downtown Durham is divided into a Grand Ballroom, a Junior Ballroom and six meeting rooms. The Grand Ballroom is 15,496 square feet and can be divided into three smaller ballrooms. The Junior Ballroom consists of 11,500 square feet and can be broken up into ten spaces. The total function space provides more than 31,000 square feet of ballroom and meeting space. The convention center is connected to the 188-room Durham Marriott City Center and includes other venues, some of which are historic. The complex includes the Durham Armory, the Durham Arts Council Building and the Carolina Theater (in particular, Fletcher Hall with 1,014 seats). The facility recently added new management that separated the facility's management from the Marriott hotel and subsequently, business has improved dramatically. The facility is popular for local and regional meetings, conferences, trainings, weddings and other events. New hotels, like the 125-room 21c Durham boutique hotel, are being built nearby, which will enhance its competitiveness with Raleigh and other cities.
- The **Sheraton Greensboro at Four Seasons**, located 185 miles northeast of Greenville in Greensboro, North Carolina, features more than 95,000 square feet of function space and 985 hotel rooms. The hotel offers primarily ballroom space, with the largest space at 40,000 square feet. The hotel's three ballrooms have 19 total divisions. The Sheraton Greensboro has 23 meeting rooms with 32,718 square feet of meeting space. The hotel also features four permanent tiered auditoriums and 14 executive boardrooms. The Sheraton Greensboro has 985 hotel rooms and there are an additional 11 walkable hotels that provide 1,246 rooms.
- The **Wilmington Convention Center**, located 305 miles east of Greenville in Wilmington, North Carolina, features nearly 48,000 square feet of function space. The convention center has an exhibit hall with 30,173 square feet. The Grand Ballroom has 12,000 square feet with six divisions. There are eight meeting rooms with 5,758 square feet of meeting space; three of these can be connected to provide the Junior Ballroom with 3,510 square feet. There are four walkable hotel properties with 574 rooms near the convention center.
- The **Charlotte Convention Center**, opened in 1995, is located 100 miles northeast of Greenville in downtown Charlotte, North Carolina and features 280,000 square feet of exhibit space between three halls. The Charlotte Convention Center has the divisible, 35,000-square foot Richardson Ballroom and is connected to the NASCAR Hall of Fame with the Crown Ballroom that provides nearly 40,300 square feet with a permanent stage. The convention center offers 60,321 square feet of flexible meeting space in 37 rooms. The Charlotte Convention Center hosts conventions, trade shows, banquets and theater-style conferences. There are nine walkable hotels with 2,478 rooms.

Implications

There are many convention centers and convention hotels with more than 30,000 square feet of function space in the region surrounding Greenville. The TDCC does offer comparable space in comparison to the other convention centers in the region. In fact, the TDCC provides more than 80,000 square feet more exhibit space than the average of all the convention centers in the region. Walkable hotel rooms are the biggest difference for the TDCC in comparison to the other centers in the region. There are two hotels that offer 247 walkable hotel rooms but these are not high enough quality or offer enough rooms that would provide a preferred hospitality package for most event planners. Consequently, conventions must find hotels away from the TDCC to house their participants. This becomes an additional logistic hurdle for event planners to manage.

In the following chapters, more analysis is conducted of nearby facilities, including the existing facilities hosting events in Greenville.

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CONVENTION HOTEL DEVELOPMENT TRENDS

Based on the analysis, a convention center hotel, either by itself, or associated with a convention center, will be needed. This is based on the current expectations of the market, which requires large blocks of hotel rooms in an adjacent or attached hotel related to a meeting facility. In some markets that are not able to fund or support an independent convention center, a convention or conference hotel is the first big step in that direction as it offers the elements of both needed components (meeting/ballroom space and attached hotel rooms). The existing Hyatt in downtown Greenville is an example of this and was constructed essentially for that purpose in a public-private effort. If Greenville cannot determine a viable site and funding plan for a convention center, which HSP believes will be the case, a larger convention headquarters hotel may be the likely best option for advancing meetings and conferences in downtown Greenville.

This chapter provides insight on the methods and tools used for convention hotel development in various markets. As the primary hotels for a market's meeting facilities and typically the largest hotel in the downtown and market area, a number of critical criteria must be met to ensure the greatest potential of success for both the property itself as well as the market as a whole. In most cases, these hotels require some form of financial incentives in order to be developed, typically in the form of public subsidies.

Convention Hotel Market

The meetings market has evolved over the past 20 years and has grown more sophisticated, and planners have increased the requirements necessary to book meetings business. At one time, meeting planners expected to contract with multiple hotels in order to service a convention, pay for their own transportation and seek additional event and meeting locations when necessary. In recent years, however, cities began to offer room packages within just a few very large hotels adjacent to meeting facilities. This improvement in packaging of the convention/meeting product led to expectations by the market and competitive pressure for all larger meeting facilities to offer a convenient package of hotels attached, adjacent or within immediate walking distance of the facility. This proximity eliminates the need for shuttling, and often the hotels provide enough meeting and event spaces for the additional needs of the planners. Those that do not offer such a package, such as Greenville, suffer considerably when competing for meetings, conferences, conventions and other events.

The demands are not only for hotel rooms, but also for high-quality hotel room blocks in major branded hotels. Due to the requirements for large room blocks, meeting and function space, food and beverage service and parking, these facilities are often outside the realm of private financial feasibility. This feasibility gap is generally temporary, typically during the pre-development and early operational stages of the property, but renders such projects difficult to finance. However, for markets with lower average daily rates and occupancy levels, the feasibility gap can be ongoing. As a result, the public sector has found creative ways to participate in the financing of these hotel developments because they recognize that without such facilities, the performance of their publicly funded meeting facilities will suffer and not provide the economic impact that rationalized the initial development.

Since 1992, one of the most notable trends in public finance has been the use of municipal bonds and other public financing tools to enable the development of convention hotels.

Rationale for Public Involvement

The business of establishing a successful urban core was once viewed as the secret to success of the development or revitalization of pioneering American cities. It was also the response to the suburbanization and flight that occurred in the 1960s and 1970s that left urban cores mostly vacant and struggling for relevance. In recent years, however, the expectation to create a live/work/play environment in downtowns has spread to most cities, regardless of size or historical development patterns. Competition for tourists, conventioners and businesses has become fierce, as has creating a positive environment for visitors and residents. This has led to a building boom not only of convention/conference centers, but sports venues, retail, housing, hotels and cultural attractions in most urban centers in the United States. Early analysis indicates that cities that are not proactive and fail to spur urban core development will be at a competitive disadvantage in the future if venues, the pedestrian experience and access are not convenient or well planned for visitors, residents, and business users.

Meeting planners demand easy access between venues, especially between meeting facilities and hotels. Cities that fail to respond have been unable to attract meetings and conventions and have lost a significant amount of market share that many communities have yet to recapture. Because of event-size growth, meeting planners demand larger room blocks and try to house their entire membership in a small cluster of hotels. Cities that wish to remain competitive in the tourism and convention market must be visionary, proactive and creative in the sizing, placement and connectivity of their convention, meeting and hotel facilities.

Cities are now helping to finance hotels due to the fact that they are key to the success of their tourism package. At the same time, such hotels are large financial obligations that often do not provide enough of a return on investment for the private development community to undertake. Developing the appropriate project with the optimal level of meeting and support space results in a relatively expensive project.

The absolute size of these projects, including extensive meeting, restaurant and parking infrastructure, places financial pressure on the hotel during its early years when occupancy levels are ramping up. However, the issue is not necessarily the long-term operating characteristics of the hotel. Most large hotels, as they stabilize after three to five years, perform well. Once these poor early year economics are folded into the long-term financial picture, overall returns fall below alternative investment vehicles. In addition, there is reluctance among banks and other lending institutions to lend to larger hotels unless there is an equity contribution of up to 50 percent.

The financial reality of a convention hotel being consistently filled with enough large groups to keep it profitable is not realistic. The large conventions do nothing to fill the large supply of rooms during the rest of the year. So although a city may want to build a massive property to host the largest conventions, reality dictates a more realistic project. The same concepts apply for smaller markets. How many events per year will actually cause the hotel to sell out? A hotel needs to run at an average occupancy level of at least 60 percent to be healthy in the long term (that is, generate enough revenue to continually reinvest in upgrades, replacement of systems, etc.). Occupancy levels above 65 percent are much preferred. With sell-out convention clients only coming along perhaps 12 to 36 times per year, the existing market will need to provide primary occupancy support for a hotel, with conventions and other events seen as opportunities to compress occupancy and rate up.

However, without a large number of rooms available in the hotel (more than the typical market would support), the events that cities seek to host will not be attracted to the community at all. Many have a “room block minimum” of 100 or more rooms. Without a large enough hotel, the groups will not consider the city.

Another reason for a city to support such hotels is to reinvigorate a downtown core by attracting people back downtown. Suburban growth has come at the expense of downtowns and their centralized resources. Often when hotels are subsidized, there is criticism from various groups. However, these direct subsidies pale in comparison to the indirect and unmeasured cost of spreading cities’ infrastructure to outlying areas. The efforts of economic development officials have not been to just keep other cities from luring businesses and their spending to other states, but to keep urban businesses from moving to their own suburbs.

Downtown supporters have been fighting for workers, visitors and residents since the suburban boom began. When given a choice, private hotel developers will often build limited service hotels in suburban locations due to lower risk and lower overall costs for land, and lenders prefer the predictable performance and reasonable cost per key. A lack of quality Central Business District hotels contributes to the push of local businesses out of downtowns, as full service hotels are a key amenity to corporate location. But limited service hotels clustered around suburban interstates do nothing to lure conventions, meetings or tourists and undermine the economics of center-city hotels.

Cities have responded to the new reality of the meeting hotel business in numerous ways depending upon various state and local laws and financing mechanisms. Assistance ranges from favorable land leases, to regulating development of limited service hotels in the middle range of intervention, to complete public ownership of hotels.

Public Participation Options

Building large hotels is very difficult due to the cost and space required for development, and as a result, are typically viewed as not feasible by the private sector. However, large hotels are vital for successful meeting facility environments to work properly. Public entities have owned hotels for many decades, as evidenced by numerous land lease structures at airports and in downtown settings. However, more direct participation has been called for as the private sector has had difficulty obtaining hotel financing at reasonable equity and interest rate levels.

Public participation can help hedge the financial risk in the early ramp-up years of a large hotel property. Credit enhancements, tax incentives and abatements, and capital investment that count towards equity are all tools that are used to get over the initial ramp-up period. The public sector has creatively dealt with participation in many ways, sometimes unique to state and local regulations.

Public-Private Partnerships (PPP)

Traditional public investment, in the form of inducements to bridge the financing gap, has taken the form of land assemblage, public payments for parking and infrastructure, and funding public components of the hotel, such as meeting and ballroom space. Another strategy uses grants, tax abatements, or creation of districts where taxes earned in the district are used to fund the public contribution. Often a combination of these sources is used to make a project happen, as has been demonstrated in numerous instances.

State programs often play a key role as states have more power to create and appropriate tax streams for projects. States such as Kansas, Texas, Mississippi, Kentucky and others have created programs that allow for either the rebate of state taxes or other related inducements.

Land leases are also a common incentive for hotel developers. In some cases, a public entity may acquire the necessary land and lease it back to the developer. The advantage to land leases is that they lower the development costs and allow the cost of the land to be amortized and subsequently paid for out of operating revenues.

The following is a list of incentives provided by public agencies to stimulate hotel development:

- Tax abatement
- Tax rebates
- Tax Increment Financing (TIF)
- Equity participation
- Construction of meeting space, parking structure, and/or other infrastructure
- Credit enhancement of financing
- Land assemblage
- Rebate of development fees for licensing, permitting and water and sewer hookup fees
- Free or nominal ground rent
- Section 108 loans
- Community Development Finance Authority (CDFA) grants or Community Development Block Grants (CDBG)

Public Sponsorship via Tax-Exempt Bonds

The most direct form of public participation is public ownership of the asset. This allows the hotel to qualify for tax-exempt financing and avoid property taxes. This type of ownership was used for Chicago's Hyatt McCormick Place, Houston's 1,200-room Hilton, Denver's 1,100-room Hyatt, and in Overland Park, Kansas' Sheraton hotel as well as more than a dozen others, as shown in the table further in the document. While tax-exempt bond funding originated with larger projects and markets, it is now common in all market sizes.

Since 1997 with a change in tax law, communities have a new alternative, one using a publicly-owned tax-exempt bond financial structure. Using either public incentives or tax-exempt financing has advantages and disadvantages including both financial and political consequences. The newer, tax-exempt method is achieved via creation of a publicly owned, tax-exempt bond financed structure. It utilizes a single-purpose tax-exempt entity created by the public to issue revenue bonds to finance the construction of the project. The bonds are primarily secured by net cash flow from the hotel and hotel occupancy taxes, and may or may not be enhanced with bond insurance. These bonds typically require some financial assurances from a political jurisdiction or require fairly heavy insurance to support the project's financing based solely on the operations of the hotel.

The advantages to this approach are:

- An ability to get the deal done with the public's timeline,
- Developing a hotel when the private sector is unwilling to invest in it,
- A lower cost of capital compared to a privately financed alternative,
- The long-term nature of the financing, and
- The public ownership of the project at bond retirement.

The disadvantages are:

- The significantly increased amounts of financing required to capitalize credit enhancement and financing reserves,
- Negative public perception and reaction to a publicly-owned hotel, which can delay projects or cause costly referenda, such as in Dallas,
- Restrictions on performance-based contracts, and
- Long-term performance risk.

Risk

Whether the private or public sector builds and owns the hotel, there is always an element of risk. It breaks down into financial risk and operational risk. With private development, the public's subsidy/investment is a one-time or limited time risk, which is quantifiable. The long-term risk is that the project owners may not reinvest in the property over the long-term and cause the entire complex to have a bad reputation, etc. With public financing, the public sector takes the long-term risk and responsibility for the project and therefore has control over long-term quality, design and operation. However, the annual debt load is usually very close to the operating income available, which gives the project a smaller margin of error in performance before reserves are used. This will exist for the life of the bonds, usually 22 to 25 years. Myrtle Beach and St. Louis are unfortunate examples of projects where the hotel did not perform as expected and required the recapitalization of the project. In either case, some level of risk exists.

Summary

The options available to cities and developers continue to increase as both the public and private sector create new funding mechanisms unique to the legal, financial and other political realities of the city, county or state.

The following table shows 28 public-private hotel developments underway or completed since 1992, with the identification of the percentage of the developments that were funded by each the private and public sector.

Table 5-1

Public-Private Hotel Developments										
City	State	Brand	Opening	Rooms	Total Hotel Costs (millions)	Cost/Room (000)	Public Sector*		Private Sector	
							Investment (millions)	Percentage of Total Cost	Investment (millions)	Percentage of Total Cost
Atlantic City	NJ	Sheraton	1997	502	\$85	\$169	\$38.2	44.9%	\$46.8	55.1%
Austin	TX	JW Marriott	2015	1,012	\$303	\$299	\$3.0	1.0%	\$300.0	99.0%
Baltimore	MD	Marriott	2001	750	\$133	\$177	\$10.0	7.5%	\$123.0	92.5%
Boston	MA	Westin	2007	793	\$200	\$252	\$15.0	7.5%	\$185.0	92.5%
Charlotte	NC	Westin	2003	700	\$143	\$204	\$16.0	11.2%	\$127.0	88.8%
Chattanooga	TN	Chattanooga	2001	202	\$43	\$213	\$20.0	46.5%	\$23.0	53.5%
Denver	CO	Adam's Mark	1998	1,230	\$135	\$110	\$25.0	18.5%	\$110.0	81.5%
Evansville	IN	Doubletree	2015	253	\$44	\$173	\$20.0	45.7%	\$23.8	54.3%
Fort Wayne	IN	Courtyard by Marriott	2010	250	\$47	\$188	\$12.0	25.5%	\$35.0	74.5%
Fort Worth	TX	Omni	2009	600	\$160	\$267	\$89.0	55.6%	\$71.0	44.4%
Franklin	TN	Marriott	1999	300	\$30	\$100	\$12.0	40.0%	\$18.0	60.0%
Houston	TX	Marriott	2016	1,000	\$335	\$335	TBD	TBD	TBD	TBD
Indianapolis	IN	Marriott	2001	615	\$100	\$163	\$23.0	23.0%	\$77.0	77.0%
Indianapolis	IN	JW Marriott, Courtyard, Springhill Suites	2011	1,568	\$354	\$226	\$48.5	13.7%	\$305.5	86.3%
Lancaster	PA	Marriott	2009	294	\$45	\$153	\$20.0	44.4%	\$25.0	55.6%
Louisville	KY	Marriott	2005	617	\$111	\$180	\$57.5	51.8%	\$53.5	48.2%
Louisville	KY	Omni	2016	600	\$261	\$435	\$126.0	48.3%	\$135.0	51.7%
Madison	WI	Hilton	2000	222	\$29	\$131	\$10.0	34.5%	\$19.0	65.5%
Miami Beach	FL	Loews	1998	800	\$110	\$138	\$29.0	26.4%	\$81.0	73.6%
Minneapolis	MN	Hilton	1992	816	\$145	\$177	\$89.2	61.6%	\$55.6	38.4%
Nashville	TN	Omni	2013	800	\$272	\$340	\$128.0	47.1%	\$144.0	52.9%
Norfolk	VA	Marriott	1992	405	\$60	\$148	\$23.0	38.3%	\$37.0	61.7%
Philadelphia	PA	Loews	1998	350	\$54	\$154	\$18.0	33.3%	\$36.0	66.7%
Philadelphia	PA	Marriott	1995	1,408	\$237	\$168	\$36.5	15.4%	\$200.0	84.6%
San Antonio	TX	Hyatt	2008	1,003	\$280	\$279	\$208.0	74.3%	\$72.0	25.7%
Tampa	FL	Marriott	1998	716	\$105	\$146	\$27.0	25.8%	\$77.5	74.2%
Washington	DC	Marriott	2013	1,167	\$639	\$548	\$308.0	48.2%	\$331.0	51.8%
Wichita	KS	Hyatt	1998	303	\$42	\$140	\$20.1	47.3%	\$22.3	52.7%
Average	--	--	2004	688	\$161	\$215	\$53.0	33.0%	\$101.3	67.0%
Total	--	--	--	19,276	\$4,501	--	\$1,432.0	--	\$2,734.0	--

* Public participation may be upfront capital only, or could include value of abatements and other incentives over time
Source: Hunden Strategic Partners

As shown, a total of \$4.5 billion in 28 hotel developments have used a public-private funding mechanism. Of the total development, the public sector has subsidized 33 percent of the costs and this may not include land costs. The average cost per room over the projects during the past 20 years is \$215,000. This suggests the truly expensive nature of these projects compared with select service hotels, which typically cost less than \$120,000 per room.

The following table shows the 29 projects that have used a tax-exempt financing mechanism with bonds supported by project revenue.

Table 5-2

Tax-Exempt Financing with Bonds Supported by Project Revenues						
City	State	Brand	Opening	Rooms	Public Bond Issue (millions)	Cost/Room (000)
Austin	TX	Hilton	2004	800	\$280.1	\$350
Baltimore	MD	Hilton	2008	757	\$305.0	\$403
Baltimore	MD	Hilton	2005	756	\$200.9	\$266
Bay City	MI	Doubletree	2004	150	\$32.9	\$219
Chesapeake	NY	Hyatt	2002	400	\$193.0	\$483
Chicago	IL	Hyatt	1998	800	\$108.0	\$135
Chicago	IL	Hyatt Expansion	2013	451	\$180.0	\$399
Chicago	IL	Marriott	2016	1,200	\$400.0	\$333
Cleveland	OH	Hilton	2016	600	\$200.0	\$333
Columbia	SC	Hilton	2006	300	\$67.0	\$223
Columbus	OH	Hilton	2012	532	\$178.0	\$335
Coralville	IA	Marriott	2006	286	\$33.0	\$115
Dallas	TX	Omni	2012	1,001	\$479.2	\$479
Denver	CO	Hyatt	2005	1,100	\$394.8	\$359
Erie	PA	Sheraton	2008	200	\$45.4	\$227
Fort Lauderdale	FL	Hilton	2011	1,000	\$415.0	\$415
Houston	TX	Hilton	2004	1,200	\$326.2	\$272
Myrtle Beach	SC	Radisson	2001	404	\$76.5	\$189
Omaha	NE	Hilton	2004	450	\$112.0	\$249
Omaha	NE	Hilton (Expansion)	2011	150	\$37.0	\$247
Overland Park	KS	Sheraton	2002	412	\$105.7	\$257
Phoenix	AZ	Sheraton	2008	1,000	\$346.1	\$346
Providence*	RI	Westin	1995	364	\$70.0	\$192
Providence*	RI	Hilton	2005	392	\$78.4	\$200
Sacramento	CA	Sheraton	2000	503	\$104.9	\$209
Salt Lake City	UT	TBD	2016	1,000	TBD	TBD
St. Louis	MO	Renaissance Suites	2003	1,081	\$276.6	\$256
Trenton	NJ	Marriott	2002	197	\$58.0	\$294
Vancouver	WA	Hilton	2005	226	\$47.5	\$210
Average	--	--	2006	611	\$184.0	\$286
Total	--	--	--	17,712	\$5,151	--

* Estimated Cost
Source: Hunden Strategic Partners

As shown, more than \$5.1 billion in bonds were issued to develop these large hotels, an average of \$286,000 per hotel room. The cost savings due to lower interest rates has been reduced, as the market has required more and more protections to guard against bond defaults, which means more borrowing to fund reserves.

Other cities considering such hotel developments include:

- Irving, TX
- Milwaukee, WI
- Jackson, MS
- Miami, FL
- Miami Beach, FL
- Portland, OR
- Memphis, TN
- Oklahoma City, OK
- Seattle, WA
- Sacramento, CA
- Salt Lake City, UT
- Minneapolis, MN

While economic conditions impact the timeline of such projects, due to the long planning and development horizons (it can take from three to more than ten years from concept to opening, depending upon numerous political and economic factors), projects will continue to be proposed and built.

Hotel Market Development Cases

The following examples illustrate how small to mid-sized cities have recently participated in such hotel developments. Cities include:

- St. Charles, Missouri
- Coralville, Iowa
- Erie, Pennsylvania
- Fort Wayne, Indiana

St. Charles, Missouri

Historic St. Charles, Missouri, located approximately 40 miles west of downtown St. Louis, is a growing, successful suburb with a historic past. Its well-preserved downtown and Lewis and Clark legacy made it a regional tourist destination for years. Riverboat gaming nearby and the development of an arena provided critical mass to the city's cache of attractions. St. Charles worked for years to leverage that success by building a convention facility to host those interested in holding meetings and conventions there. A hotel of good quality and size adjacent to the center was key to the development's success. After several failed attempts, the City completed a development deal with John Q. Hammons (JQH) to develop the hotel and approved the building of the convention center, both of which opened in 2005.

Project: The St. Charles Convention and Sports Facilities Center features approximately 36,700 square feet of exhibit space, two ballrooms totaling 18,300 square feet, and 9,300 square feet of meeting rooms. The project was funded and developed by the City. The \$40-million convention center hotel, a 296-room Embassy Suites, was funded by John Q Hammons.

Financing: The City funded the \$32.5 million convention center, while the \$40 million hotel is a public-private partnership with JQH. The City is essentially providing free land to the hotel project and also allowed the hotel to run the convention center's food and beverage operations. This provided the hotel with more revenue than it otherwise would have generated on its own and guarantees that the two integrated projects will work together. The City formed a property and sales tax TIF around the hotel and is using the revenues from the TIF to partially fund the convention center. The hotelier pays the five percent of food and beverage sales to the convention center yielding an incentive to the hotel in the range of \$4 million over the first 30 years of the project. JQH agreed to pay 0.75 percent of gross hotel sales in order to expand the convention center ballroom.

However, after initially struggling with ballroom sales efforts, Global Spectrum, who manages the convention center for the City, was also assigned the marketing and management of the ballroom portion of the building. The JQH Embassy Suites hotel is operated by JQH.

Coralville, Iowa

Coralville is located adjacent to Iowa City and the University of Iowa, a regional center for the state of Iowa. Coralville was simply a small town until the 1990s when it aggressively pursued growth opportunities, and put itself on the map by developing a major new regional mall on I-80. Since then it has worked to redevelop a separate 100-acre parcel on I-80 with a convention center, hotel and other attractions.

Project: The 250-room Marriott hotel and convention center opened in 2006. The project was developed by FaulknerUSA as an integrated property and was backed by the City. The convention center has 30,000 square feet of exhibit space, 15,000 square feet of ballroom space, and 15,000 square feet of meeting space.

Financing: The City determined early on to develop the project and finance it with public, tax-exempt bonds. A sales tax TIF around the Coralville Mall (Iowa's largest) was expanded to the site area and its revenues, plus the hotel's cash flows are being used as backstops for the bonds. The State also provided limited funding. The project costs are \$60 million, and the bonds were issued in 2004.

In 2012, the community received a downgrade in its bond ratings due to the Marriott's underperformance and the City's overall debt burden. The hotel's performance issues were partially attributed to the economic recession and the Iowa floods in 2008. Both events limited the number of corporate events the convention center could attract, and therefore, had a substantial negative effect on the Marriott's ability to generate substantial room nights. However, since then, the economy and performance have improved. In addition, substantial additional restaurant and retail development has occurred surrounding the project and so now it is a comprehensive leisure, business and event accommodating center of activity in the state and region. Even into the late evening, the outdoor restaurants are filled with locals and visitors.

Erie, Pennsylvania

Erie has an active Civic Center complex near downtown, but it does not serve as a true convention facility. As part of Erie's efforts to revitalize its bayfront along Lake Erie, it secured funding from the Commonwealth of Pennsylvania for a new convention center in the early 2000's. In order to make the project work, the Erie Civic Center Authority recognized the need to induce the development of a hotel along with the project. As a result, it conducted a search for a development and financing structure that would allow the project to be built.

Project: The project includes the Erie Bayfront Convention Center, opened in 2007, with more than 30,000 square feet of exhibit space, as well as a 200-room Sheraton Hotel, opened in early 2008. Both facilities face the Bay and are linked via a pedestrian bridge over a boat slip inlet. The hotel was developed by Acquest Realty and White Lodging and will be managed by White Lodging.

The hotel is an example of a "full-service lite" hotel, that is, one with a full-service flag, but with less function space and lesser quality than a true full-service Sheraton. It can still participate in the Starwood meeting sales program and considers itself a Sheraton, but the costs were much lower due to the fewer amenities.

Financing: The convention center was financed with a state grant of approximately \$40 million, while the hotel was financed using tax-exempt bonds totaling \$45.4 million. A public entity was created to own the hotel project and issue the bonds, which the County agreed to fully guarantee in the event of a financial gap at the hotel. The hotel has performed better than expected and the project is currently considered a success.

The Authority is now adding a second hotel under a similar financing structure.

Fort Wayne, Indiana

Fort Wayne for many years pursued downtown redevelopment to create a strong regional center. The Harrison Square downtown revitalization project was a large step in that direction. This project, aimed towards attracting more visitors to downtown Fort Wayne, includes a baseball stadium, retail and condominium developments, a new convention hotel and adjacent parking structures, pedestrian connectors and public spaces. It was completed after the expansion of the Grand Wayne Convention Center. The hotel component, a 250-room Courtyard by Marriott, was developed to supplement the 246-room Hilton (already attached to the convention center) and improve Fort Wayne's ability to attract additional convention business. In order to complete the hotel's development, the public sector offered a number of incentives to allow the property to open in 2010.

Project: The development of the Fort Wayne Courtyard, which opened in 2010, included the 250-room hotel, a sports bar and restaurant, approximately 7,500 square feet of meeting space and a pedestrian skybridge that connects the property to the Grand Wayne Convention Center, the Embassy Theatre and a 300-space parking garage. The property was developed and is managed by White Lodging.

This is an excellent example of a "limited-service plus" hotel that lowered its costs by using a limited-service flag, but adding function space, a restaurant and room service. The city was able to then get a larger hotel

than it otherwise would have been able to fund had the hotel been a true full-service brand with all of its costs.

Financing: The \$28-million project (\$47 million when including other public developments, such as the garage), which included the cost of the land and the skybridge, was supplemented by \$12 million in public incentives, which included \$6 million in state tax credits, a ten-year graduated property tax abatement, a five-year personal property tax abatement and up to \$250,000 in annual recapture of local hotel taxes. The public sector also provided the land, infrastructure and paid for the \$1-million pedestrian connection to the convention center. The previously-existing TIF district surrounding the property funded additional infrastructure development surrounding the property, including a large parking garage.

The hotel opened during the recession, but recently has been performing strongly. A study is now underway to consider additional hotels, event facilities and other attractions downtown. Based on the success of the hotel and convention center project, as well as the new ballpark, an arena is being considered as well as additional hotels.

Implications

In today's competitive convention market, the market has demanded and received top-quality hotel and convention/conference center packages, usually connected to each other, in most major U.S. cities and now even in second and third-tier cities. As a result, many of these markets have opted for hybrid hotel models that include the amenities meeting planners expect but at lower price points via a select-service brand with extra amenities, or a full-service brand with fewer amenities and services. In Greenville, the average daily hotel rate is high enough that a select service hotel brand is not necessary and in fact, would duplicate what already exists. What Greenville needs is a full-service convention product that can handle larger events than the current Hyatt. In order to compete effectively in the Carolinas and with the Atlanta suburbs, a hotel of 400 or more rooms is implied. The Raleigh, NC Marriott of 400 rooms was a publicly-funded convention hotel that is a competitor (with and without the adjacent Raleigh Convention Center).

The driving force behind these convention center and hotel developments in both small and larger markets is the public-private partnerships that are designed to bridge the gap in financing and make projects feasible that would never be financed without public incentives. In each case presented, local, county and/or state governments recognized the need for public incentives that made these projects a reality, thereby making their offering packages more attractive to meeting planners. These cities have recognized that neither a convention center nor a nice hotel is compelling enough on its own, but rather the entire package of quality meeting space, a large quality hotel room block and proximity between the two are essential to remain competitive in today's meetings market.

For Greenville, given the situation with numerous smaller hotels yet very little function space or large room blocks in the downtown area, a new, large, full-service meetings hotel will be a key part of the next steps in the evolution of Greenville's meetings product, regardless if a convention center is developed.

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HOTEL MARKET AND TRENDS ANALYSIS

This chapter includes a review of national hotel trends as well as an in-depth analysis of the Greenville hotel market.

National Hotel Market Trends

National hotel market trends are important to the development prospects of any hotel project, whether it involves macro supply and demand issues, amenity trends, financing or other trends impacting the industry.

The following table shows selected characteristics of the U.S. lodging industry from 1992 through 2015 year to date.

Table 6-1

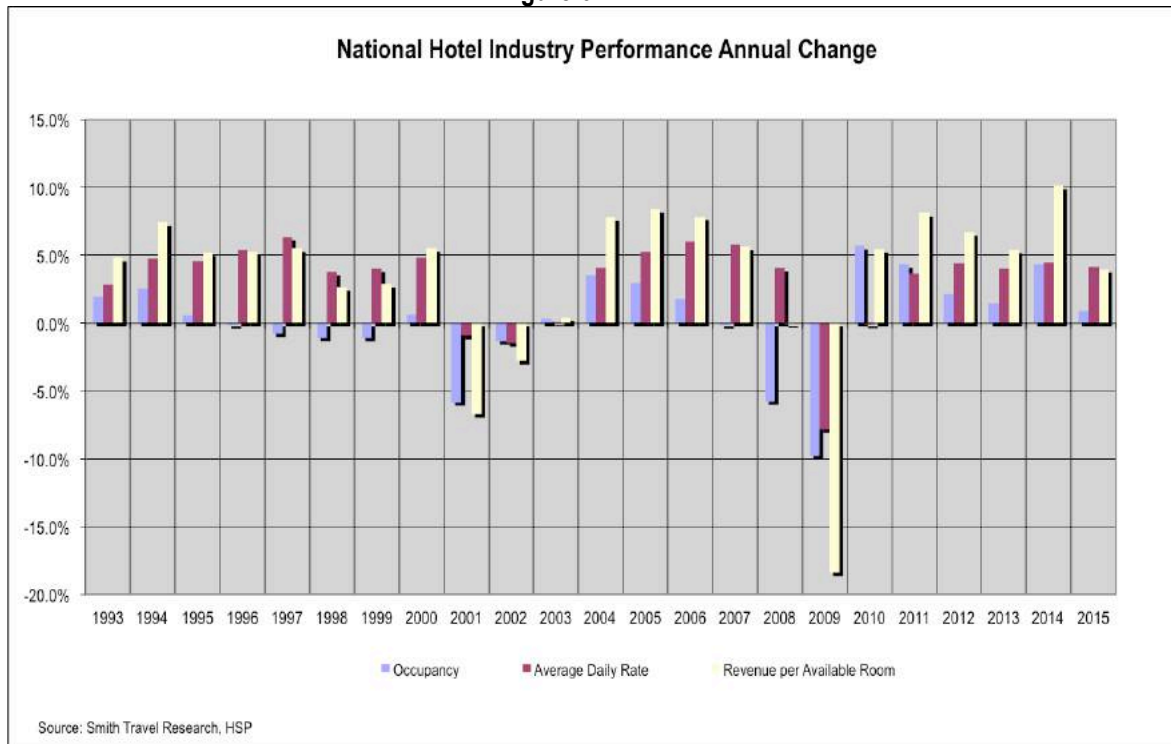
National Lodging Industry Annual Summary						
Year	Occupancy	Change	Average Daily Rate	Change	Revenue per Available Room	Change
1992	61.9%	--	\$59.62	--	\$36.90	--
1993	63.1%	1.9%	\$61.30	2.8%	\$38.68	4.8%
1994	64.7%	2.5%	\$64.24	4.8%	\$41.56	7.4%
1995	65.1%	0.6%	\$67.17	4.6%	\$43.73	5.2%
1996	65.0%	-0.2%	\$70.81	5.4%	\$46.03	5.3%
1997	64.5%	-0.8%	\$75.31	6.4%	\$48.57	5.5%
1998	63.8%	-1.1%	\$78.15	3.8%	\$49.86	2.7%
1999	63.1%	-1.1%	\$81.29	4.0%	\$51.29	2.9%
2000	63.5%	0.6%	\$85.24	4.9%	\$54.13	5.5%
2001	59.8%	-5.8%	\$84.45	-0.9%	\$50.50	-6.7%
2002	59.0%	-1.3%	\$83.20	-1.5%	\$49.09	-2.8%
2003	59.2%	0.3%	\$83.28	0.1%	\$49.30	0.4%
2004	61.3%	3.5%	\$86.70	4.1%	\$53.15	7.8%
2005	63.1%	2.9%	\$91.29	5.3%	\$57.61	8.4%
2006	64.2%	1.7%	\$96.77	6.0%	\$62.13	7.8%
2007	64.1%	-0.2%	\$102.38	5.8%	\$65.63	5.6%
2008	60.4%	-5.8%	\$106.55	4.1%	\$65.61	0.0%
2009	54.5%	-9.8%	\$98.20	-7.8%	\$53.55	-18.4%
2010	57.6%	5.7%	\$98.08	-0.1%	\$56.47	5.5%
2011	60.1%	4.3%	\$101.64	3.6%	\$61.06	8.1%
2012	61.4%	2.2%	\$106.10	4.4%	\$65.17	6.7%
2013	62.3%	1.5%	\$110.35	4.0%	\$68.69	5.4%
2014	65.0%	4.3%	\$115.26	4.4%	\$75.66	10.1%
2015	65.6%	0.9%	\$120.01	4.1%	\$78.67	4.0%
Avg. Annual Growth Rate		0.31%		3.14%		3.52%

Source: Smith Travel Research, HSP

Occupancy peaked at an all-time high of 65.6 percent in 2015. The occupancy has not reached a value that high since 1995. It steadily decreased to 59.0 percent following 9/11 and then rose again to peak at 64.2 percent in 2006. The latest recession is the most severe recorded in the hotel industry post-depression. Occupancy decreased to 54.5 percent, a 15 percent (nearly ten percentage point) decline. Average daily rate peaked at \$120.01 in 2015. Occupancy started to increase in 2010 and rates began to increase as well. Performance in the past few years has put the industry in all-time record territory, including occupancy and rate.

The figure below shows the above data in graph form, highlighting the annual change in performance.

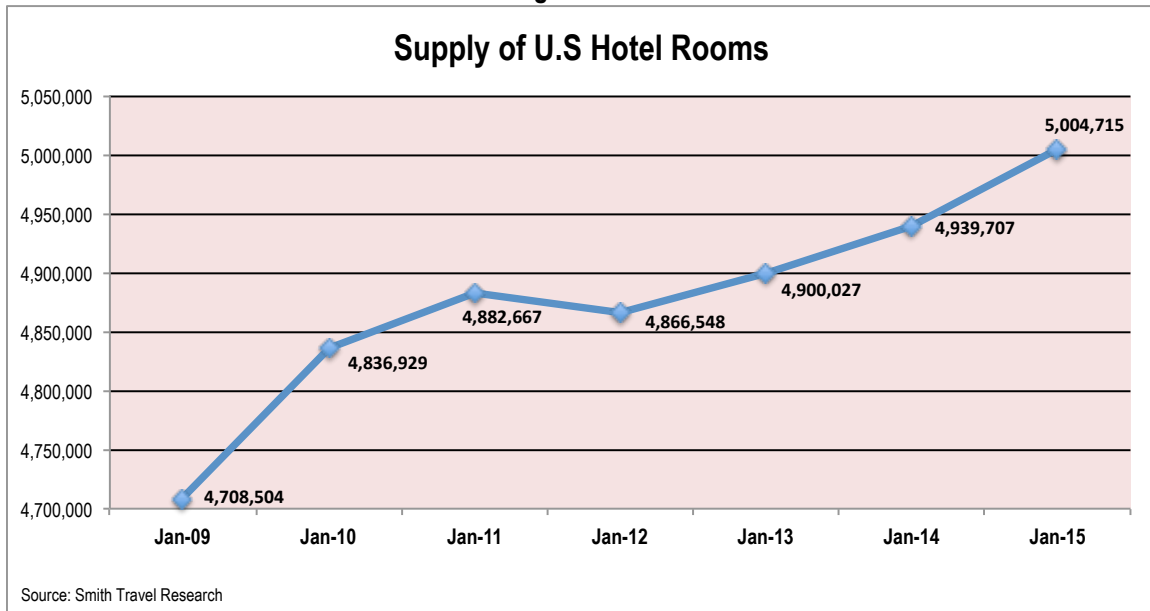
Figure 6-1



Performance in 2014 was much improved from the drastic decline in 2009. As the above graph indicates, from 1996 through 1999, and again in 2007 and 2008, even when occupancy declines, average daily rate can increase. This speaks to the concept of maximum practical occupancy. At a certain average occupancy, there are enough “sold-out” dates and is enough demand pressure to raise prices.

The following chart shows the trend of the U.S. hotel room supply between January 2009 and January 2014.

Figure 6-2



As demonstrated, the U.S. supply of hotel rooms has increased from approximately 4.7 million rooms in January of 2009 to more than 5 million rooms in January of 2015. Of the seven years shown, the only decrease in hotel rooms in the U.S. hotel market was between 2011 and 2012. This growth rate was less than one percent per year, which was outpaced by demand growth, which is why occupancy has increased and rates have followed.

The following table shows the number of existing hotel rooms, rooms under construction and rooms in the active pipeline as of June 2015 sorted by chain scale.

Table 6-2

U.S. Active Pipeline by Chain Scale As of June 30, 2015						
Chain Scale	Preliminary Existing Supply	Year Over Year Percent Change	Rooms Under Construction	Year Over Year Percent Change	Total Active Pipeline	Year Over Year Percent Change
Luxury	107,300	-2.1%	5,468	57.3%	10,716	46.5%
Upper Upscale	577,562	2.1%	13,484	30.8%	34,124	30.5%
Upscale	644,123	3.9%	46,878	16.1%	126,933	24.3%
Upper Midscale	881,565	1.6%	38,859	24.0%	139,934	22.4%
Midscale	476,205	-1.9%	4,077	-13.6%	26,763	15.2%
Economy	781,203	1.4%	978	17.0%	3,781	-12.9%
Unaffiliated	1,536,757	-0.2%	18,990	23.0%	83,792	-21.0%
Total	5,004,715	0.9%	128,734	20.9%	426,043	11.1%

Source: Smith Travel Research

Between June 2014 and June 2015, the hotel industry increased its total supply for the fourth consecutive year, this time by nearly one percent (more than 45,000 rooms). Among the chain scale segments, the upscale segment expanded the most during 2014/2015, growing by 3.9 percent over the previous year. As of the end of June 2015 there are more than 128,700 hotel rooms under construction and over 426,000 rooms in the active development pipeline of 3,511 projects.

The total active pipeline data includes projects in planning, final planning and under construction but not those in the pre-planning stage. The 'in planning' stage is defined as projects where an architect or engineer have been selected, and plans are in process where initial approvals have typically been granted. 'Final planning' is defined as the stage where the project has gone out for bids or construction is expected to begin within four months. 'Pre-planning' is defined as the period before an architect has been selected.

The following table shows the existing supply of rooms, rooms under construction and the year over year percent change of the top ten hotel markets.

Table 6-3

Top Ten US Markets by Rooms in the Construction Phase					
Market	Existing Supply	In Construction May 2015	In Construction May 2014	Year over Year Change	New Construction as % of Existing
New York, New York	114,216	13,300	14,461	-8%	12%
Houston, Texas	77,495	6,946	3,311	110%	9%
Las Vegas, Nevada	168,598	3,929	0	N/A	2%
Miami/Hialeah, Florida	50,389	3,557	2,884	23%	7%
Los Angeles-Long Beach, California	97,566	3,515	2,385	47%	4%
Chicago, Illinois	110,617	3,370	2,005	68%	3%
Washington, DC	107,910	2,665	2,080	28%	2%
Anaheim/Santa Ana, California	54,880	2,521	198	1173%	5%
Dallas, Texas	79,239	2,315	1,929	20%	3%
Seattle, Washington	41,727	2,134	1,889	13%	5%

Source: Smith Travel Research

New York City reported the largest number of rooms under construction as of May 2015, while Las Vegas reported the largest existing supply. The Houston, Las Vegas, Miami/Hialeah, Los Angeles-Long Beach and Chicago markets all reported more than 3,000 rooms under construction, while all markets in the top ten reported more than 2,000 rooms in construction. Anaheim/Santa Ana experienced the largest percentage increase in rooms under construction, with a year-over-year percent change of nearly 1175 percent.

Development and Financing

The hotel development pipeline had been robust until 2008, when the credit crisis hit and real estate across all sectors declined. This has made credit more expensive, and the combination of lack of funds and poor market performance essentially stopped new developments in 2009.

Since 2009 credit has loosened for hotels and more loans were made beginning in 2012 for new hotels. Currently the market is extremely strong and funding (both equity and debt) is widely available. Demand outpaced supply for so many years during the recession and has continued to outpace supply growth since, such that new hotel development continues to be feasible in many markets.

The loan-to-value ratio (LTV) is an important measure of the amount of risk banks are willing to take on real estate investments. Historically, hotels have exhibited a higher risk level in the eyes of lenders and have required a substantial equity investment. However, “cookie-cutter” branded prototype projects at interstate intersections, which are very predictable to bankers in terms of safety and profitability have achieved loan-to-value rates of up to 90 percent.

As the performance of hotels has improved, banks are comfortable approving higher loan amounts relative to the value of the project. At its peak in 2005, the LTV was nearly 70.6 percent on average. It decreased to 60 percent in 2008 and has been slowly recovering since that time, reaching closer to 70 to 75 percent in 2015.

Transactions

Capitalization rates (cap rates) are a measure of risk and reward. The higher the cap rate, the riskier the market expects an investment to be and the higher the possible reward expected. To determine value, appraisers, buyers and sellers use net operating income divided by the cap rate. A hotel with \$1 million in net operating income and a ten percent cap rate would have a value of \$10 million. However, using a five percent cap rate would give a value of \$20 million. During the height of the hotel buying frenzy in 2005 and 2006, some hotels were sold at effective cap rates lower than five percent, leading to extraordinary values.

Cap rates for hotels have historically been in the 8 to 12 percent range for most markets, except in markets like New York, San Francisco, Boston and Hawaii. The average cap rate was below ten percent in 2005 and 2007 and below nine percent in 2006, leading to record sales prices and intense transaction activity. Some transactions included cap rates as low as three percent during the height of the hotel financing and construction boom of 2005 to 2007. The rates then increased substantially during the recession, lowering valuations and the ability to obtain loans. The higher the cap rate, the lower the valuation of the hotel and with the market-wide increase in cap rates, hotel transaction activity ceased for about three years, with the exception of foreclosed hotels.

The following table shows historical capitalization rates by chain scale.

Table 6-4

Property Type	Capitalization Rates From Sales Transactions							
	2014		2013		2012		2011	
	Average	Range	Average	Range	Average	Range	Average	Range
Full Service Including Luxury	6.7%	.05% - 10.9%	6.2%	2.9% - 7.9%	5.8%	1.5% - 11.7%	6.1%	0.05% - 10.9%
Select Service and Extended Stay	7.8%	3.2% - 12.6%	7.4%	2.5% - 14.2%	7.4%	4.0% - 11.7%	7.7%	3.2% - 12.6%
Limited Service	9.0%	.03% - 30.0%	9.2%	5.4% - 12.9%	9.3%	3.7% - 12.2%	9.5%	0.03% - 30.0%

Source: HVS, Hunden Strategic Partners

Between 2009 and 2011, overall cap rates for full service hotels decreased from 8.95 percent to 7.5 percent. While from 2011 to 2012, rates increased from nearly seven percent to over eight percent. Between 2013 and 2014 full service cap rates have risen to 6.7 percent, select service followed with an increase to 7.8 percent and limited service fell to nine percent on average.

The above capitalization rates are based on historical net income at the time of sale divided by the sales price. In riskier markets, cap rates are higher.

Development Costs

The following table shows the hotel development costs for the various quality segments of hotels for 2014/15. These figures are critical when considering which type of hotel to develop. Since the data is sorted and averaged by HVS prior to appearing in the table, the totals do not match the medians and averages for each type of property.

Table 6-5

2014 / 2015 Hotel Development Cost Survey Per-Room Averages						
	Land	Building and Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Total
Budget/Economy Hotels						
Average from Budgets	\$13,500	\$63,400	\$6,600	\$8,800	\$3,500	\$86,900
Allocation	13%	69%	7%	11%	1%	
Midscale Hotels w/o F&B						
Average from Budgets	\$16,900	\$81,100	\$12,300	\$11,100	\$4,300	\$117,800
Allocation	12%	68%	8%	11%	3%	
Extended Stay Hotels						
Average from Budgets	\$15,400	\$88,000	\$12,800	\$15,400	\$3,800	\$162,200
Allocation	11%	68%	9%	12%	2%	
Midscale Hotels W/ F&B						
Average from Budgets	\$16,800	\$95,600	\$15,000	\$15,300	\$4,300	\$155,300
Allocation	16%	63%	11%	11%	3%	
Full-Service Hotels						
Average from Budgets	\$38,100	\$193,600	\$14,600	\$28,400	\$17,200	\$334,900
Allocation	12%	67%	10%	10%	4%	
Luxury and Resorts						
Average from Budgets	\$121,700	\$392,600	\$94,200	\$62,500	\$23,900	\$705,100
Allocation	17%	60%	14%	10%	4%	
Source: HVS						

Costs per room vary drastically depending on the chain scale, from a budgeted average of \$86,900 for economy properties up to \$705,100 for luxury properties. For most developments, the question is whether or not the average daily rate is greater than the cost per room to build.

A good rule of the thumb in the industry is that the average daily rate multiplied by 1,000 will give a developer a sense of what cost of hotel the market will support. So for example, a hotel expected to perform at \$125 per night on average could be developed for \$125,000 per room.

Largest Hotel Groups

One of the continuing trends of the past decade has been the growth of hotel companies to create and expand brands into every niche, including extended stay, boutique, fractional and the like. These companies typically do not own their hotels, but brand them and provide the support, advertising, group sales and other services for the hotel owners for a fee.

The table following shows the top 10 hotel groups in the world, by number of rooms.

Table 6-6

Top Ten Global Hotel Groups by Room Count - As of January 2014					
Rank	Company	Brand Examples	Hotels	Rooms	Rooms/Hotel
1	InterContinental Hotels Group	Holiday Inn, Holiday Inn Express	4,697	686,873	146
2	Hilton Worldwide	Hilton Garden Inn, Hampton Inn, DoubleTree	4,115	678,630	165
3	Marriott International	Ritz Carlton, Marriott, Courtyard	3,783	653,719	173
4	Wyndham Hotel Group	Wyndham Hotels, Wingate, Days Inn	7,485	645,423	86
5	Choice Hotels International	Comfort Inn, Quality, Econo Lodge	6,303	502,663	80
6	Accor	Sofitel, Novotel, ibis	3,576	461,719	129
7	Starwood Hotels & Resorts	Sheraton, W Hotels, Westin	1,161	339,243	292
8	Best Western	Best Western Premier, Vtb, Best Western	4,046	314,318	78
9	Home Inns	Home Inn, Yitel, Motel 168	2,180	256,555	118
10	Carlson Rezidor Hotel Group	Radisson, Park Plaza, Club Carlson	1,079	168,927	157
--			38,425	4,708,070	142

Source: MKG Hospitality, HSP, various hotel brand websites

As shown, InterContinental Hotels Group, owner of Holiday Inn and Holiday Inn Express brands, is the largest group in the world, with nearly 4,700 hotels and nearly 687,000 rooms. Hilton Worldwide hotel group is a close second by number of rooms with nearly 679,000. The brands with the largest and smallest hotels on average are Starwood hotels & Resorts and Best Western with 292 and 78 rooms per hotel, respectively. Collectively, these top ten hotel groups account for over 4.7 million hotel rooms across the globe, and they have an average hotel size of 142 rooms.

Other Trends of Note

Several other trends have been occurring in the industry over the past several years. These include:

- **Brands Multiply.** Worldwide, the expansion of brands continues to change the face of the competitive environment. Eager to show earnings and market share for Wall Street, major brands compete fiercely. Using multiple brand products clustered in the same corporate structure, proprietary reservation systems and corporate programs work in tandem to drive business. Comparing profit potential of a brand to one without a brand is becoming a serious exercise for hotel owners. At the same time, the proliferation of brands means fewer independents that struggle for fair share using price as the preferred strategy.
- **Boutique Brands.** This seemingly incongruous phrase is a trend occurring in the industry. The largest brands have run out of market segments to fill, so they are seeking the last bastion of the industry: independent boutique hotels. By creating a boutique "collection" that can benefit from (and provide distribution to) the primary brand family, both the hotel and brands can prosper. For example, with all traditional niches covered, Marriott has now entered the boutique market with the Autograph Collection. These hotels are not owned or operated by Marriott and do not even carry a Marriott brand, per se, but use the Marriott reservation system to route travelers to these formerly independent hotels. Guests get their Marriott points and some expectation of high quality. Hilton has also entered the boutique market with a new brand called Canopy and a new collection of formerly independent upscale hotels called the Curio Collection. Intercontinental Hotel Group has just purchased boutique hotel company Kimpton, expanding their profile beyond Intercontinental and Holiday Inns. Starwood has just launched the Tribute brand, which is basically the same type of boutique hotel collection as Curio and Autograph.

- **Shared Spaces and Home/Apartment Rentals.** The advent of AirBnB has transformed the lodging industry in the past few years, much as Uber and Lyft have done with the hired car industry. Home and apartment rentals through VRBO, Homeaway, AirBnB add inventory to many compressed and expensive markets. In some places like San Francisco, Silicon Valley and New York, residents rent their homes to travelers in order to pay the rising cost of rent. High rates of hotel occupancy and rising rates have made these options viable for travelers and residents. There have been consequences for both the affordable housing market and the hotel market, although these are generally only material in extremely expensive markets or when there is a major event (like a Super Bowl). AirBnB now represents as much as five percent of the market in many cities.
- **Global Travel and the Impact of Energy Prices and Economic Conditions.** The large fluctuations in oil and fuel costs have a continual impact on travel and will continue to be a major factor in the coming years.
- **Green Policies.** Requirements, both by law and the guests, on businesses enforcing green practices are becoming tougher to comply and are even becoming a demand driver. Eco-consciousness is a popular trend among new generations and, suddenly, energy systems, insulation, produce origin and even amenities become differentiation factors. Hotels can capitalize on the environmentally sensitive customers by adapting sustainability practices such as Element by Starwood has done.
- **Distribution.** The increase in booking travel via the Internet has been a major trend in the industry for more than a decade, with a majority of booking research done online and more than one-third of revenue booked online. This has brought transparency and increased competition to the market and all players with a solid Internet and distribution strategy are able to compete effectively. Third party websites, smartphones and available applications are rapidly becoming a key factor in every travel stage by easing access to planning and booking tools that ease the customers' experience. Travelers expect a more informed and collaborative travel experience, especially driven by the evolving smartphone functionality. Hotel companies are creating property-specific websites to differentiate each property and reach more markets and traveler segments than a corporate single format website.
- **Technology.** The rapid advance of technology means hotels have to continually keep up with the expectations of their guests. With multiple wireless devices, guests expect a high-speed wireless network throughout the hotel that will allow them to use their smartphones, tablets and laptops without connectivity issues. In-room movies via Lodgenet can now be controlled via an application on a guest's smartphone. Many hotels have begun to introduce in-room iPads that allow concierge services, room service, check out, entertainment and other items to be taken care of directly from the device.
- **Social Media, Crowd-Rating and Mobile Connectivity.** The rise of social media and user-based ratings has had a direct impact on hotel decision-making. Sites like Trip Advisor allow users to rate and castigate hotels directly on the website, which allows potential customers to determine if they will choose that hotel. Hotels have to be incredibly proactive and reactive to comments posted on Twitter, Facebook and ratings sites, including online travel agencies. Approximately one in three business travelers have rated an establishment. Mobile connectivity, as mentioned above, has become a crucial factor in a travelers' experience. Mobile-friendly

websites and mobile applications are the most used medium for corporate travelers (70 percent) to check in to flights and/or hotels, while one in four hotel queries come from a mobile device.

- **Demographics.** Two major demographic shifts marked the beginning of positive growth in the hotel business. The first is both baby boomers and millennials as the target market for their luxury consumption. The baby boomer generation became a target audience due to the amount of disposable income and nest egg capital allowing them to travel in large numbers for the next decade. Millennials are the second demographic group tapped as an up-and-coming luxury consumer group affecting the industry and being targeted by the industry itself with marketing strategies that are different from its preceding groups. Millennials are drawn to entertainment, technology and accessibility. Secondly, the BRIC economies, (Brazil, Russia, India and China) have exploded in their economic power over the past several years. This has led to a massive increase in the middle classes in these nations and these populations are traveling in increasing numbers.

GREENVILLE MARKET HOTEL SUPPLY

For overall understanding and comparability of the Greenville hotel market, HSP gathered and analyzed the hotel room supply, beginning with the Greenville metro area market.

The following table displays all hotels within six miles of Greenville, sorted by distance from downtown.

Table 6-7

Greenville Hotels					
Property Name	Distance	Rooms	Chain Scale	Market Class	Open Date
Courtyard Greenville Downtown	0	135	Upscale	Upper Upscale	Apr-10
Westin Poinsett	0.1	200	Upper Upscale	Luxury	Jun-25
Hampton Inn Suites Greenville Downtown	0.2	115	Upper Midscale	Upscale	Jul-06
aloft Hotel Greenville Downtown	0.2	144	Upscale	Upper Upscale	U/C
Hyatt Regency Greenville	0.4	327	Upper Upscale	Luxury	Jan-82
Holiday Inn Express & Suites Greenville Downtown	0.5	80	Upper Midscale	Upscale	Sep-01
Quality Inn & Suites Greenville	1.2	60	Midscale	Upper Midscale	Jun-60
Regal Inn	1.7	48	Indep	Midscale	Jun-72
Sunset Inn	2.2	28	Indep	Midscale	Aug-94
Sleep Inn @ TD Convention Center	2.3	63	Midscale	Upper Midscale	Aug-97
The Phoenix Greenville's Inn	2.4	184	Indep	Midscale	Jun-72
Best Way Motel	2.5	25	Indep	Midscale	Jan-00
Sands Motel	2.5	19	Indep	Midscale	Jan-00
Savannah Suites Greenville	3.4	170	Economy	Midscale	Oct-00
Extended Stay America Greenville Haywood Mall	3.4	72	Economy	Midscale	Feb-95
Quality Inn & Suites Greenville	3.5	122	Midscale	Upper Midscale	Jun-70
Baymont Inn Greenville	3.6	122	Midscale	Upper Midscale	Jun-85
InTown Suites Greenville South	3.6	131	Economy	Midscale	Jun-86
Economy Inn	3.6	92	Indep	Midscale	Jun-60
La Quinta Inns & Suites Greenville Haywood	3.6	125	Midscale	Upper Midscale	Apr-99
Hampton Inn Greenville I 385 Haywood Mall	3.6	86	Upper Midscale	Upscale	Aug-14
Hilton Greenville	3.7	256	Upper Upscale	Luxury	Nov-87
Super Lodge Suites	3.7	134	Indep	Midscale	Jun-70
Hyatt Place Greenville Haywood	3.7	126	Upscale	Upper Upscale	Jul-97
Value Place Greenville Central	3.7	121	Economy	Midscale	May-07
Travelers Inn	3.7	75	Indep	Midscale	Jun-69
Hawthorn Suites by Wyndham Greenville	3.9	72	Midscale	Upper Midscale	Dec-84
Clarion Inn & Suites Haywood Mall Area	3.9	126	Upper Midscale	Upscale	Jun-83
Country Hearth Inn Greenville	4	104	Economy	Midscale	Jan-00
Courtyard Greenville Haywood Mall	4	146	Upscale	Upper Upscale	Mar-88
Camelot Inn	4	100	Indep	Midscale	Jan-00
TownePlace Suites Greenville Haywood Mall	4	94	Upper Midscale	Upscale	Mar-99
Southern Suites	4.1	99	Indep	Midscale	Jan-99
Comfort Inn Millennium Greenville	4.2	117	Upper Midscale	Upscale	Jun-80
Relax Inn	4.2	120	Indep	Midscale	Jun-73
InTown Suites Greenville North	4.5	127	Economy	Midscale	Oct-96
Red Roof Inn Greenville	4.5	108	Economy	Midscale	Aug-83
Embassy Suites Greenville Resort & Conference Center	4.6	268	Upper Upscale	Luxury	Apr-93
Comfort Inn & Suites Greenville	4.7	120	Upper Midscale	Upscale	Feb-89
Crowne Plaza Greenville I 385 Roper Mountain Road	4.8	203	Upscale	Upper Upscale	Nov-84
Days Inn Greenville	4.9	127	Economy	Midscale	Feb-89
Microtel Inn & Suites by Wyndham Greenville	5.1	98	Economy	Midscale	Jul-98
Holiday Inn Express & Suites Greenville I 85 & Woodruff I	5.1	155	Upper Midscale	Upscale	Aug-01
Candlewood Suites Greenville	5.3	97	Midscale	Upper Midscale	Oct-13
Hilton Garden Inn Greenville	5.5	120	Upscale	Upper Upscale	Oct-09
Homewood Suites Greenville	5.6	110	Upscale	Upper Upscale	May-08
Drury Inn & Suites Greenville	5.7	180	Upper Midscale	Upscale	Jan-07
La Quinta Inns & Suites Greenville Woodruff Road	5.7	123	Midscale	Upper Midscale	Jan-81
Staybridge Suites Greenville I 85 Woodruff Road	5.9	96	Upscale	Upper Upscale	Jun-07
Executive Inn	6.1	29	Indep	Midscale	Jun-94

There are a total of 50 hotels and 5,999 rooms within 6.1 miles of Downtown Greenville. The two largest hotels total nearly 600 rooms, or about 10 percent of the total nearby rooms. While 49 of the 50 hotel properties are within Greenville, the remaining property is located in Powdersville.

All hotels built in the past ten years, excluding the Courtyard Greenville Downtown and the Hampton Inn & Suites Greenville Downtown, sit more than 3.5 miles from Downtown. The Aloft Hotel Greenville Downtown is the newest hotel in this area, followed by the Candlewood Suites Greenville, which opened in October 2013. Interestingly enough, for the Greenville market there was a five-year gap between constructions of hotels from late 2001 to mid 2006, the recovery time after 9/11.

The table below shows the hotel market breakdown in Greenville by market class.

Table 6-8

Lodging Summary: Greenville Market						
Market Class	Rooms	% of Total Rooms	Hotels	Rooms per Hotel	Avg. Opening Year	Avg. Age in Years
Luxury	1,235	21%	5	247	Mar-72	43
Upper Upscale	1,080	18%	8	135	Nov-00	25
Upscale	1,073	18%	9	119	Feb-98	17
Upper Midscale	784	13%	8	98	Aug-86	29
Midscale	1,827	30%	20	91	Jul-69	46
Total / Average	5,999	100%	50	120	Jun-85	32

Source: Smith Travel Research, Hunden Strategic Partners

There are 50 properties providing 5,999 rooms in all market classes. There are five hotels in this market in the luxury market class, including the Hyatt Regency Greenville. This hotel is also the largest in this set with 327 rooms. The two largest market classes are midscale and upscale, encompassing 30 and 18 percent, respectively. Cumulatively, luxury and midscale classes account for 51 percent of the entire competitive set's rooms. The rest of the hotel set is in the upper upscale, upscale, and upper midscale classes. Individually these classes have fewer rooms than the luxury class, despite having more hotels.

Many of the hotels in this set were built between 1980 and 2001. Due to the grouping of opening dates for these hotels, there are many hotels that are nearing 30 years of operation, while 10 percent of the hotels are less than seven years old.

GREENVILLE COMPETITIVE HOTELS

In order to best understand the hotel market surrounding Greenville, HSP profiled selected hotels in the area. HSP chose a set of primary competitive and relevant hotels that impact the market to analyze within the Greenville market area. The primary factors considered were location, quality, amenities, size and brand.

The following table shows a summary of the hotels in the Greenville competitive set.

Table 6-9

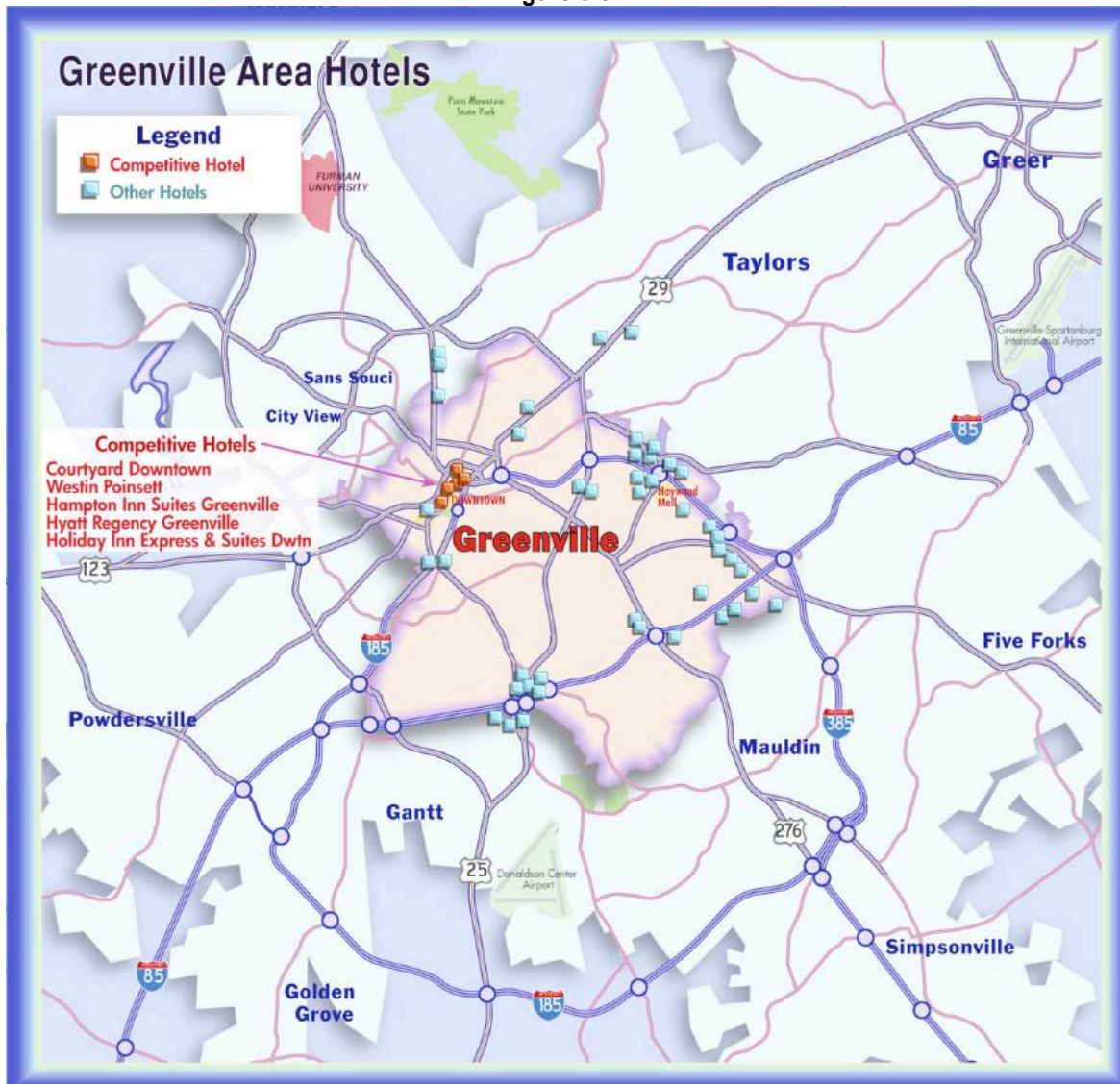
Greenville Competitive Set Hotels				
Property Name	Distance	Rooms	Chain Scale	Open Date
Hyatt Regency Greenville	0.4	327	Upper Upscale	Jan-82
Westin Poinsett	0.1	200	Upper Upscale	Jun-00
Courtyard Greenville Downtown	0	135	Upscale	Apr-10
Hampton Inn Suites Greenville Downtown	0.2	115	Upper Midscale	Jul-06
Holiday Inn Express & Suites Greenville Downtown	0.5	80	Upper Midscale	Sep-01
aloft Hotel Greenville Downtown	0.2	144	Upscale	Dec-15
Homewood Suites	0.7	140	Upscale	Planned
Residence Inn/Springhill Suites (Dual Branded)	0.3	240	Upscale	Planned
Embassy Suites RiverPlace	0.3	156	Upper Upscale	Sep-16
AC Hotel by Marriott	0.05	140	Upscale	Planned
Hyatt Place	0.2	130	Upscale	Planned
Home2Suites	0.6	117	Upper Midscale	Jul-16
Average	0.3	160	--	Mar-06
Total		1,924		

Source: Smith Travel Research, Hunden Strategic Partners

There are twelve hotels in the Greenville competitive set, totaling 1,924 rooms. The largest property is the 327-room Hyatt Regency Greenville, located on Main Street in downtown Greenville, northwest of I-385. The average age of the competitive set hotels is 10 years. The newest of the hotels is the Aloft Hotel Greenville Downtown which opened in December 2015. Other newer hotels in the competitive set include the 135-room Courtyard Greenville Downtown and the 115-room Hampton Inn & Suites Greenville Downtown, built in April 2010 and July 2006, respectively. Currently the city has five hotels either planned or under construction in the Downtown district. The new additions will double the rooms in the downtown market.

The following figure shows a map of the Greenville hotels and the competitive set.

Figure 6-3



All of the hotels in the competitive set are within downtown Greenville. These properties are easily accessible to travelers via Interstate 385. The cluster of hotels is also approximately 14 miles out from the Greenville-Spartanburg International Airport and approximately 3 miles out from the Greenville Downtown Airport.

The following table shows hotels in the Greenville area that are planned or currently under construction.

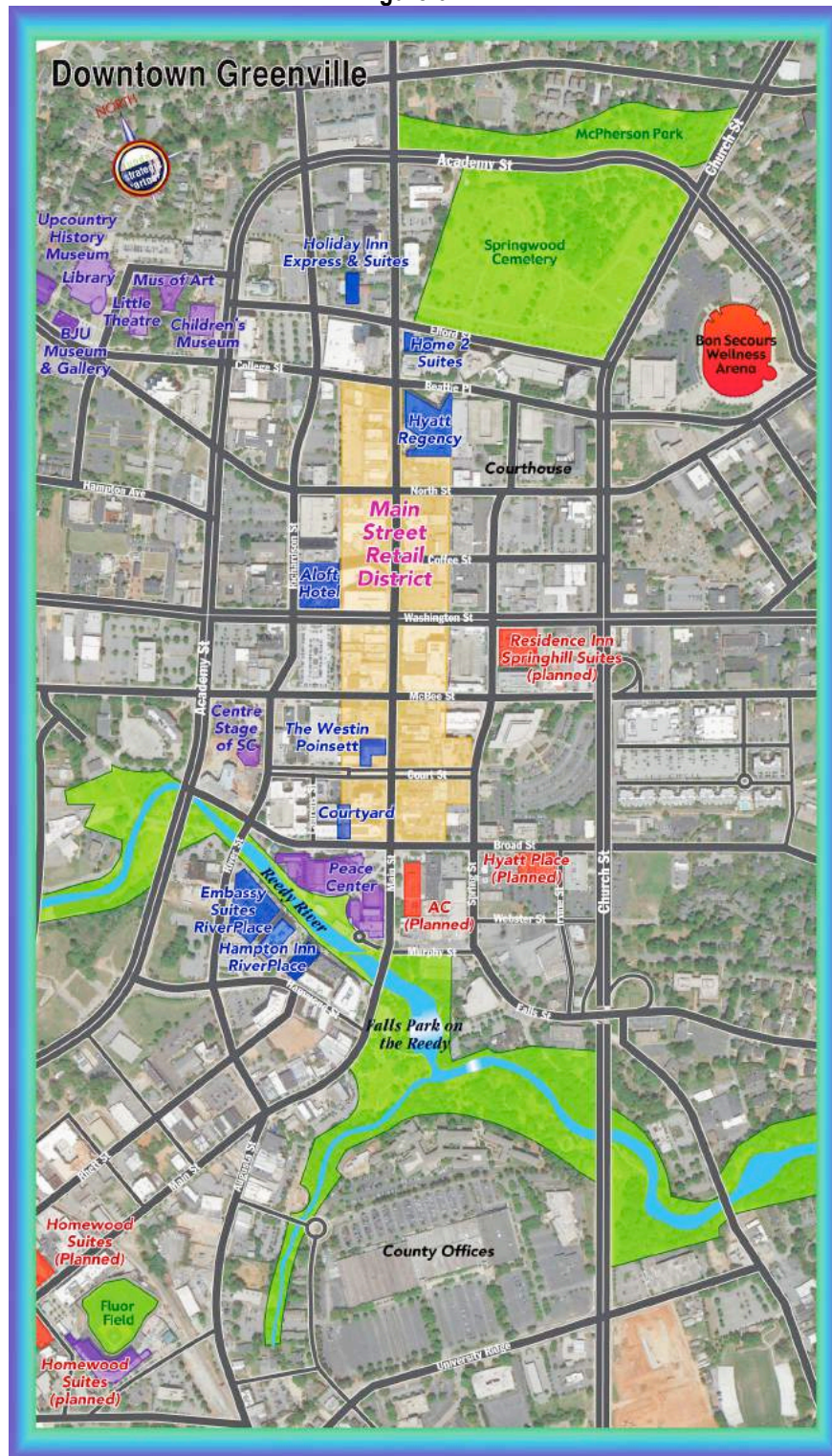
Table 6-10

Planned or Under Construction Hotels		
Property Name	Rooms	Location
Residence Inn/Springhill Suites (Dual-Branded)	240	301 S Spring Street
Embassy Suites	156	300 River Street
Aloft Hotel	144	5 N Laurens Street
AC Hotel	140	Main Street & Broad Street
Home2Suites	117	North Main & Elford Street
Homewood Suites	150	Main Street & Markley Street
Hyatt Place	130	E Broad and Calvin Street
Average	154	--
Total	1,077	--
Source: Hunden Strategic Partners		

The largest of the planned hotels is the Residence Inn/Springhill Suites (Dual-Branded) hotel with 240 rooms, located on S. Spring Street. In total, more than 1,000 rooms are underway, which will double the amount of supply in the downtown market.

The following map shows the downtown hotels, including those under construction or imminent.

Figure 6-4



The current downtown hotel supply is fairly balanced and centered from north to south along Main Street, although the center of gravity for rooms is still north. The largest hotel is the Hyatt, which anchors the large format venues like the Bon Secours Wellness Arena on the north end of downtown. However, most of the new hotels are positioned toward the south and middle, which will make the balance of rooms essentially equalized north, central and south in downtown.

This presents both a challenge and opportunity for another major meeting and/or hotel venue. If all the hotels were clustered together, a new meetings venue should be adjacent to that cluster and attached or easy to walk to as many hotels as possible. However, with the hotels spread out, it opens up options for where to place a new hotel or meeting facility. Yet it also constrains the easily walkable room count, especially if the new facility is at either end. Given available parcels that would be large enough are not necessarily centralized, the walkable room count will likely not include all hotels downtown, which will put Greenville at a slight competitive disadvantage, especially if the new facility is more than four blocks from the Hyatt.

Accommodated Demand and Competitive Set Performance

HSP used Smith Travel Research data to analyze the competitive hotel set. The following table shows the performance data for the Greenville competitive set of hotels from 2011 through September of 2015.

Table 6-11

Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels											
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2011	858	313,170	--	227,111	--	72.5	--	\$125.25	--	\$90.83	--
2012	858	313,170	0.0%	224,297	-1.2%	71.6	-1.2%	\$136.22	8.8%	\$97.56	7.4%
2013	858	313,170	0.0%	243,572	8.6%	77.8	8.6%	\$144.75	6.3%	\$112.58	15.4%
2014	860	313,900	0.2%	245,869	0.9%	78.3	0.7%	\$159.86	10.4%	\$125.22	11.2%
2015 YTD (September)	860	233,961	0.0%	189,696	3.8%	81.1	2.6%	\$174.09	10.3%	\$141.15	8.5%
Projected 2015	860	313,955	0.0%	258,162	5.0%	82.2	5.0%	\$177.45	11.0%	\$145.92	16.5%
CAGR* (2011-2014)	0.1%	0.1%	--	2.8%	--	2.7%	--	5.5%	--	12.6%	--

*Compound Annual Growth Rate

Sources: Smith Travel Research, Hunden Strategic Partners

Demand for room nights in the selected hotel set has increased every year between 2011 and September 2015 except 2012. Over this period demand for room nights decreased from 2011 to 2012 by almost 3,000, but 2013 saw a positive increase of more than 19,200 and 2014 saw an increase of almost 2,300.

Occupancy has increased from its 2011 level of 72.5 percent to the 2015 record level of 82.2 percent. Though this increase is statistically significant, a much more important dynamic is present for this market. The occupancy rate is substantially beyond the threshold, approximately 66-68 percent, where developers start to consider potential new hotel developments.

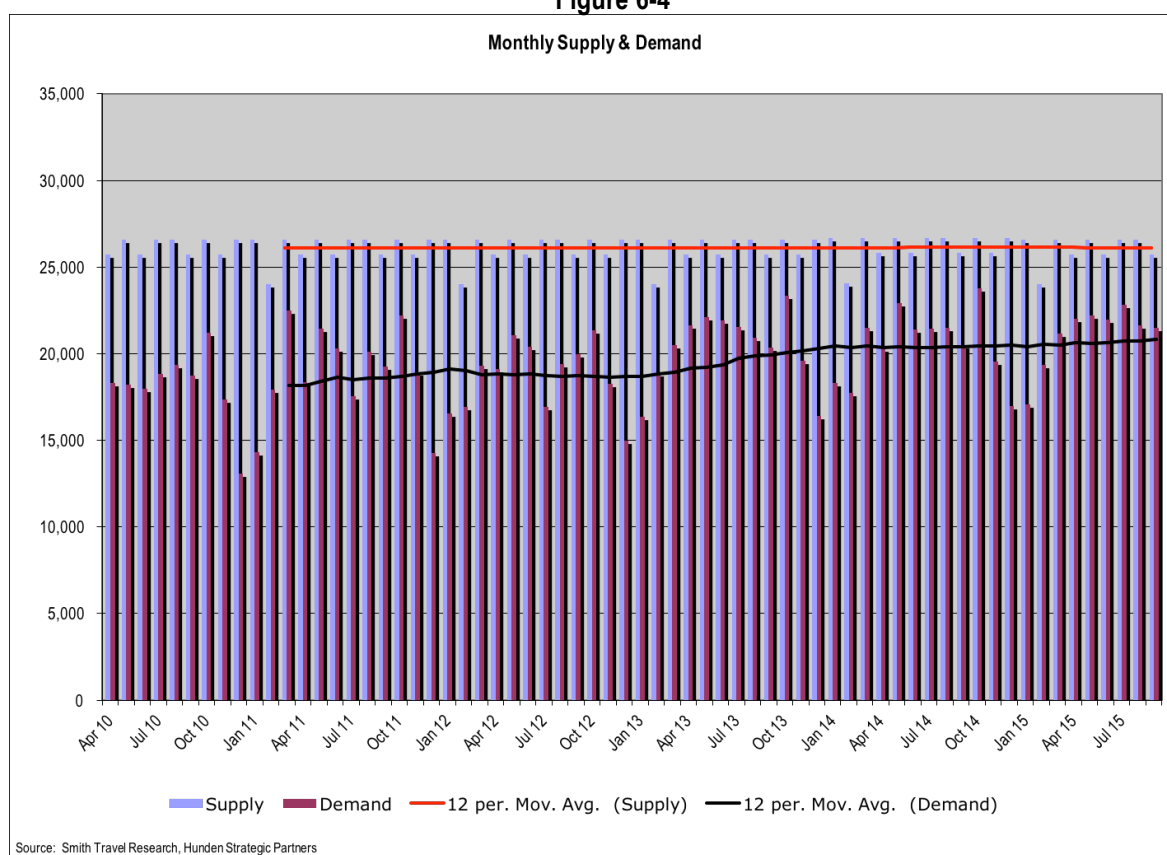
The average daily rate experienced steady increases from 2011 to 2015. As the strength of occupancy provided support for rate increases, ADR in 2015 through September was already running nearly 10 percent

higher than the same period for the prior year. With average daily rates nearing \$180, there is market support for new fuller-service hotels. The market has responded and many new hotels are underway.

Revenue per available room (RevPAR) is projected to increase by 16.5 percent to \$145.92. The benefit of the increased ADR level is that it supports not only new hotel growth, but also a higher quality of hotel than previously built. Rates and occupancies are highly dependent upon seasonality, but the compression of strength in all seasons is leading to the market's ability to support new development of select service hotels and potentially full-service hotels, depending upon the amenities provided.

The following figure shows the supply and demand trends for the selected set.

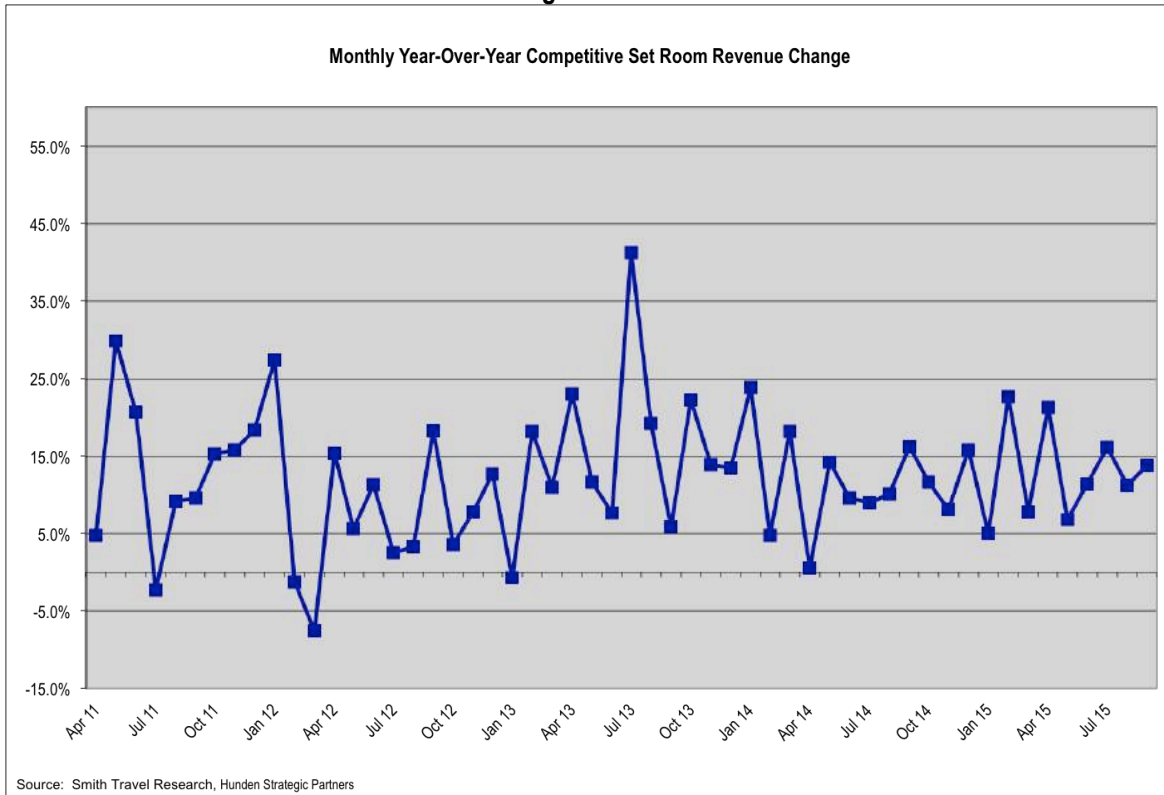
Figure 6-4



The competitive set has a consistent seasonality trend. The average monthly room night demand has remained fairly constant over the last five years with no additional hotels being introduced to the market or expansions of the existing supply.

The following figure shows the room revenue changes by month (year-over-year).

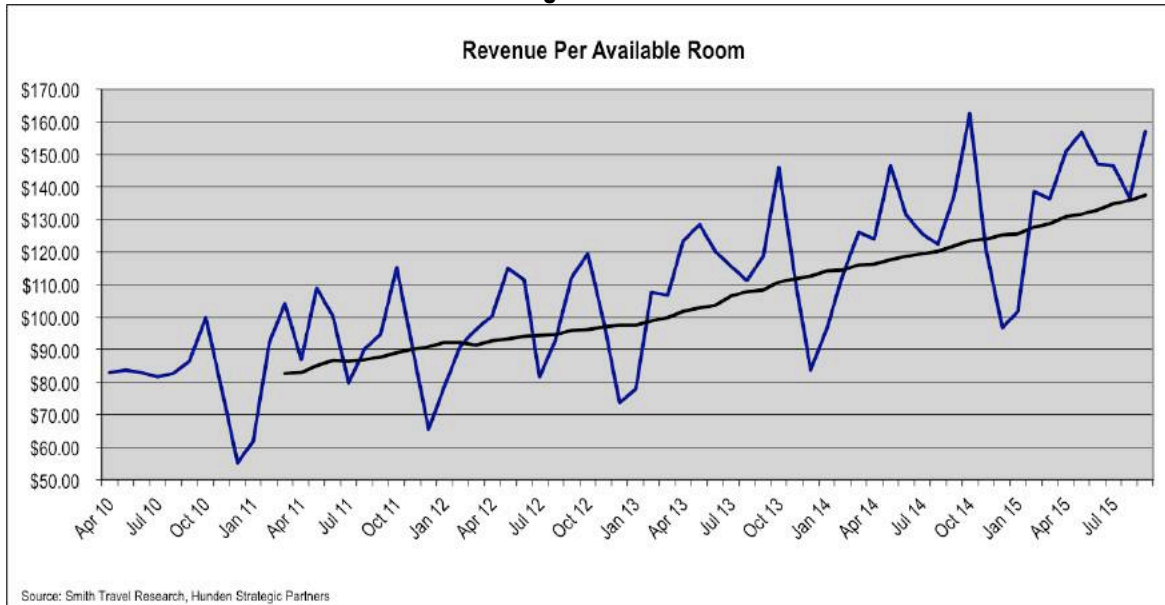
Figure 6-5



Any data point greater than zero is a positive indicator for the competitive set. As shown, the competitive set's room revenue, beginning in April of 2011 through July of 2015 fluctuated predominately between 25 percent and five percent.

The following figure shows the Revenue Per Available Room (RevPAR), which is the product of occupancy and rate.

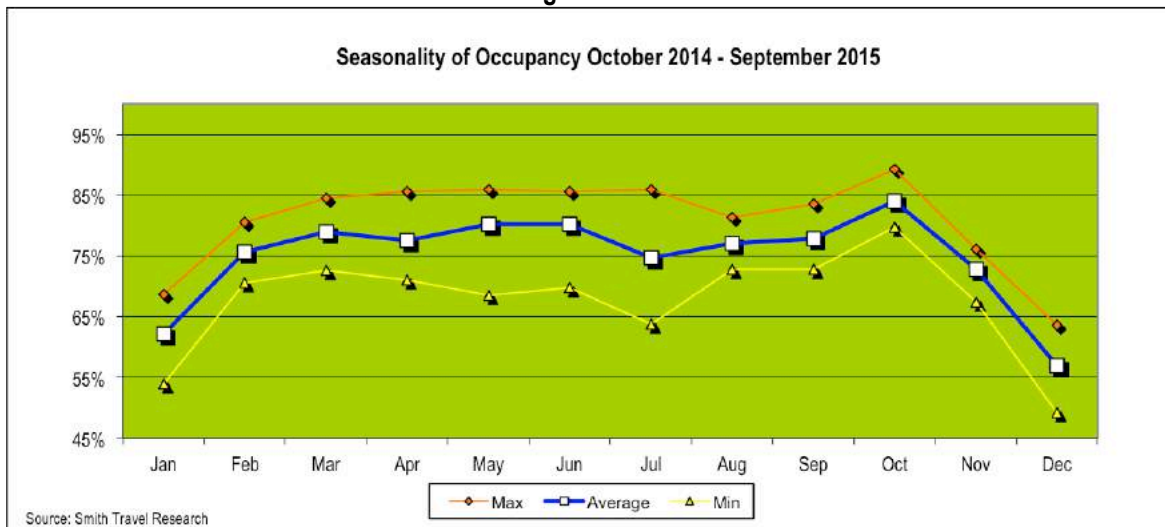
Figure 6-6



The black line above shows the 12-month moving average. The figure above shows RevPAR fluctuating seasonally between April of 2010 and July of 2015. As shown, the 12-month moving average has increased from over \$80 to nearly \$140.

The following figure displays the seasonality of occupancy for October 2014 through September 2015.

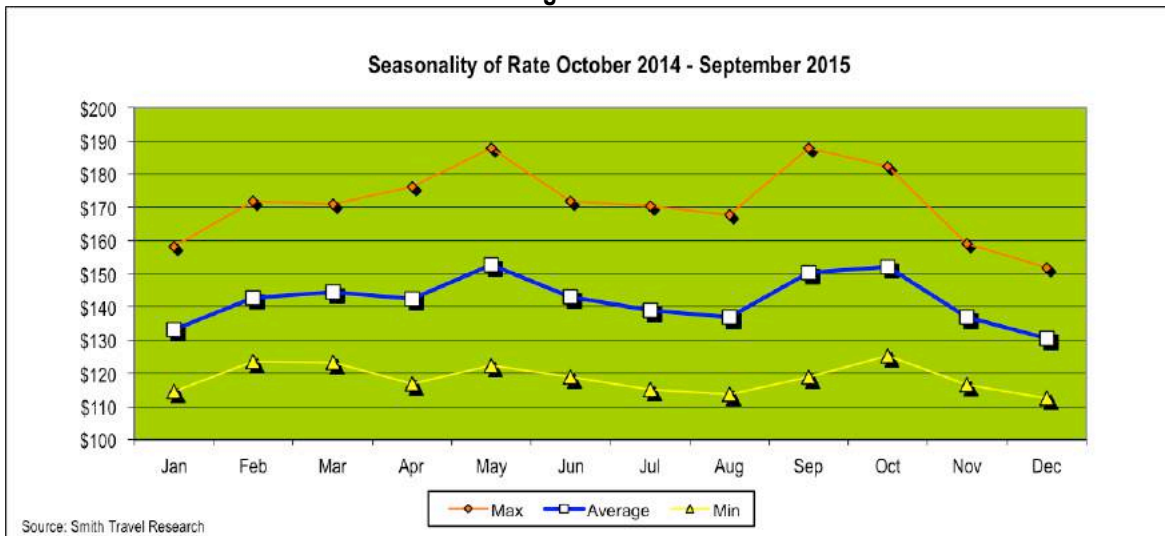
Figure 6-7



In terms of occupancy, October is the busiest month, averaging 88.9 percent. April, May, June and July average approximately 85 percent while August and September average 82.5 and 83 percent, respectively. December is the slowest month of the year. The seasonality is similar to most markets where occupancy rates are lower in the winter months. The Greenville market peaks during the fall season.

The following figure shows the seasonality of rate.

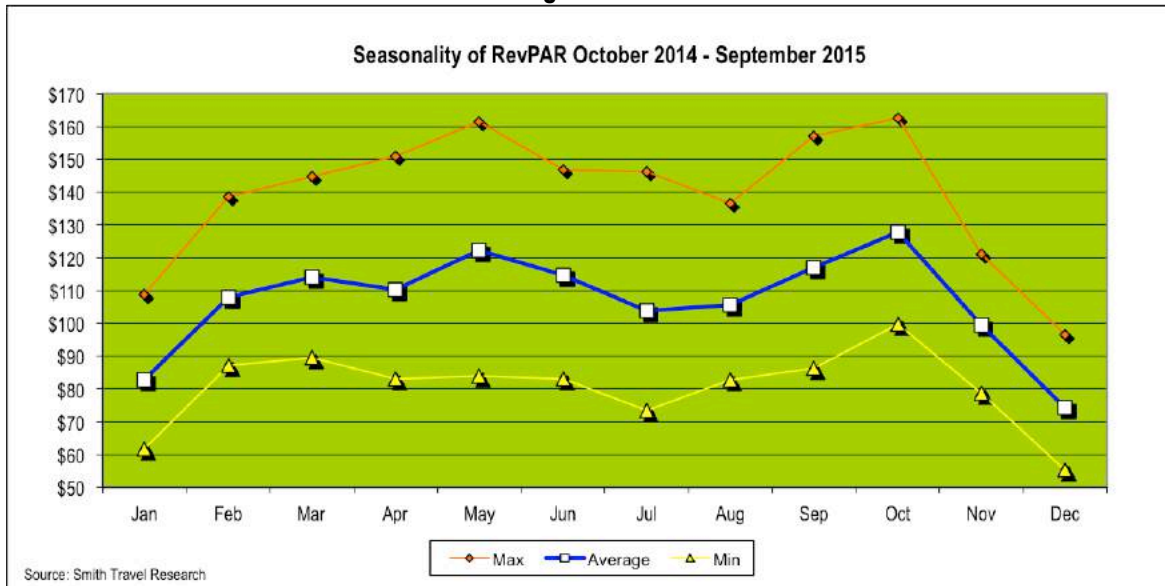
Figure 6-8



Prices are highest during the spring and the fall seasons, while the winter and the peak summer months are lower. The average daily rate peaks in both May and September at approximately \$188. From September, the ADR decreases through November, December and January to approximately \$156. The lowest rate is December at \$152 (currently). Through the spring it slowly increases then decreases in the peak of summer, only to increase once again in the fall. Overall, there is less seasonality here than in most cities, despite evidence of a December/January slowdown. This is a very good situation for hoteliers in Greenville.

The following figure shows the seasonality of RevPAR, which is the product of rate and occupancy, and suggests overall revenue.

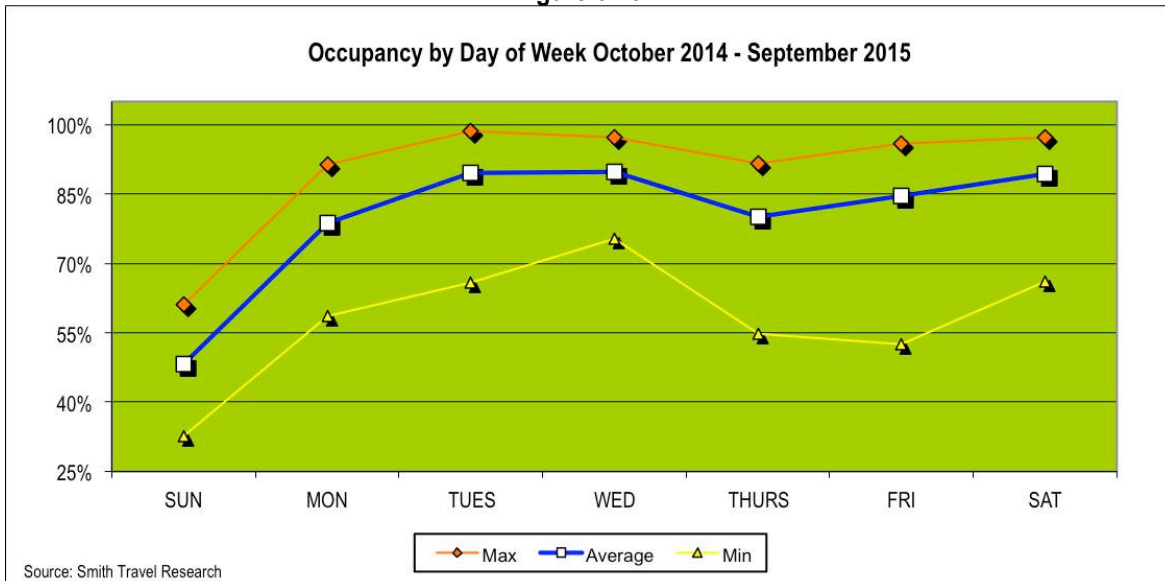
Figure 6-9



As with the other performance indicators, RevPAR data is consistent with the analysis of the prior graphs. RevPAR is highest during September, October, and May when rate and occupancy are high or at their peaks.

The following figure shows the occupancy by day of the week during the 12 months ending September 2015.

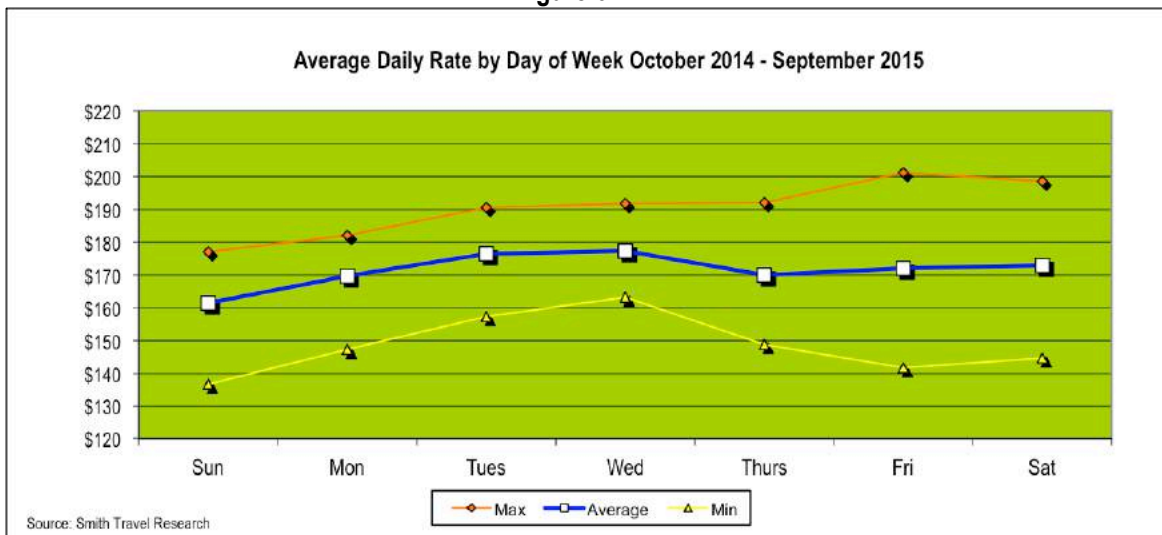
Figure 6-10



Occupancy is strong throughout the weekdays and into the beginning of the weekend suggesting strong corporate and other weekday visitation. Occupancy is lowest on Sunday nights, which is typical for all markets.

The following figure shows the average daily rate by day of week.

Figure 6-11



Similar to occupancy, rates are essentially flat for all days with a slight increase in the middle of the week. While average rates fluctuate minimally, maximum rates for this market are high Tuesday through Thursday, and are highest Fridays and Saturdays. This suggests a strong market, since hotels depend on the weekday corporate travelers whom are willing to pay more for their rooms than leisure and group travelers.

Unaccommodated Demand

Unaccommodated demand is defined as demand that would have been captured by the market but for a lack of available or quality rooms. This demand is therefore deferred to later dates, accepts lesser-preferred accommodations, moves just outside the competitive set, moves its business to another area, or cancels plans altogether. Therefore, as new properties are added to the market, it is expected that this demand will be accommodated by the new supply, suggesting that when new hotels are added, they do not cannibalize existing market demand, but accommodate previously unaccommodated demand. While it is not possible to accurately predict all unaccommodated demand, a decent figure can be inferred from occupancy data.

The following table shows the occupancy by day of the week per month for the twelve months from October 2014 through September 2015. Days of the week with occupancy between 75 and 80 percent are shown in yellow, suggesting mild displacement and unaccommodated demand, while orange shows days with 80 to 90 percent occupancy, suggesting very likely displacement. Days in red are for times when occupancy was beyond 90 percent for the set, suggesting near-certain displacement.

Table 6-12

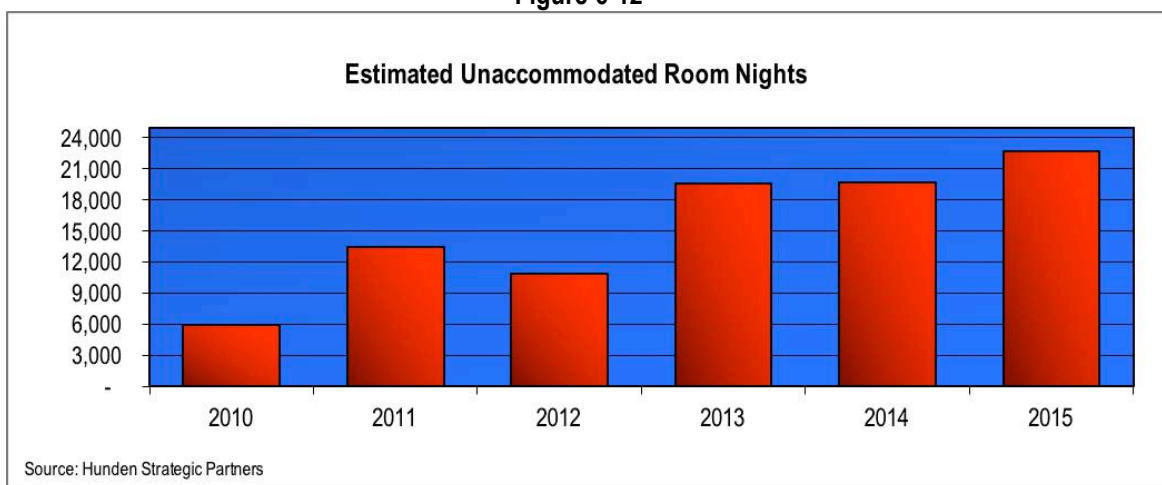
Occupancy Percent by Day of Week by Month - October 2014 - September 2015								
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Oct - 14	60.1%	91.5%	98.3%	95.8%	91.6%	89.1%	95.7%	88.9%
Nov - 14	42.1%	79.6%	86.3%	83.1%	73.4%	85.5%	86.0%	76.5%
Dec - 14	38.9%	58.6%	96.0%	75.3%	56.9%	70.0%	77.6%	67.6%
Jan - 15	32.7%	74.9%	89.4%	84.0%	54.8%	52.6%	66.0%	64.9%
Feb - 15	48.2%	75.6%	89.8%	89.1%	85.4%	86.1%	89.9%	80.6%
Mar - 15	46.6%	81.2%	88.0%	91.5%	79.8%	87.9%	88.9%	80.6%
Apr - 15	48.4%	90.4%	98.7%	91.9%	86.9%	87.3%	93.6%	85.3%
May - 15	50.7%	76.5%	94.9%	97.3%	84.0%	88.9%	96.2%	84.1%
Jun - 15	52.8%	83.9%	90.1%	95.8%	86.5%	91.7%	97.2%	85.4%
Jul - 15	61.0%	83.9%	94.5%	88.8%	82.8%	92.0%	96.3%	85.6%
Aug - 15	43.4%	79.6%	92.8%	92.6%	91.2%	88.0%	89.9%	82.5%
Sep - 15	54.1%	67.7%	86.8%	92.8%	89.0%	95.9%	95.7%	83.1%
Average	48.3%	78.6%	92.1%	89.8%	80.2%	84.6%	89.4%	

Sources: Smith Travel Research

Each cell is an average of four specific dates, for example Wednesdays in March *average* 91.5 percent occupancy, suggesting that there are likely a couple of dates at 100 percent occupancy. As shown, Monday through Saturday occupancy in March and April 2015 was highest. The lowest occupied night of the week after the typically-slow Sunday, is Monday. Monday in most markets is one of the highest occupied nights of the week as business travelers arrive, but for Greenville the corporate business is strongest on Tuesday and Wednesday nights. This is likely due to the difficulty of flying in directly to the airport. If there were many options for flyers to come in on Monday, they may stay over Monday night. However, many fly to Charlotte or Atlanta and drive in on Monday, then stay over Tuesday/Wednesday. Weekends are very strong, as noted and there is extreme displacement most of the year from Tuesday through Saturday nights.

The following figure shows the estimate of unaccommodated room nights over the past five years for the competitive set of hotels only.

Figure 6-12



As previously mentioned, an unaccommodated room night is a night when a traveler seeking accommodations within the market must either cancel their stay or settle for accommodations of lesser quality because the desired facilities have no vacancies. The number of estimated unaccommodated room nights is determined in any month when occupancy is higher than 66 percent. Based on the prior table, there are sellouts at the competitive set hotels during the weekend and over select weekdays. When rooms sell out or nearly do so, rates can be increased and the viability of new hotels is more likely.

Based on HSP estimates, the number of unaccommodated room nights for the competitive set peaked in 2015 with more than 22,700 rooms. Any new hotel room inventory that enters the market over the next few years is likely to absorb much of the unaccommodated demand. Also, the new properties are likely to capture room nights from the lower quality properties because travelers have a tendency to flock to quality, especially considering the age of the current hotel set.

Conclusions

The hotel market in Greenville is primarily composed of mid-sized, midscale to upscale facilities. The largest hotel, the 327-room, luxury class Hyatt Regency Greenville, is the market leader in terms of size and quality, yet most of the high quality hotels are participating in record occupancy and daily rates. Performance is strong and improving, and unaccommodated demand has increased with it. Given the high rate of both measures, it is not surprising that proposed hotels will double the downtown room count when completed. This will put pressure on both occupancy and rate. The one way to support the new product is by generating new demand. This can occur with a new facility that induces more group business to the market. Such a facility can be a convention center, conference center or large format headquarters hotel. The key is having enough meeting space to induce new meeting demand, as well as a large enough room block to accommodate meeting planner demands.

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DEMAND SURVEYS AND INTERVIEW RESULTS

Hunden Strategic Partners conducted a meeting planner survey of those who would geographically qualify to hold their event in Greenville and conducted personal and phone interviews with representatives of many local and regional meeting planners for this project. The results of the surveys and interviews informed the physical programming and the depth of demand in the market.

The first survey was primarily to meeting planners in the Carolinas and focused on the concept of a convention or conference center. While this was successful in terms of responses, the results were not solid enough to suggest that a convention center would be a home run in Greenville. In fact, most respondents suggested they would like a conference center and hotel. It was about this time in the process that HSP determined that the city and county do not have adequate funding sources for a major event facility. In addition, there are no sites large enough in the walkable downtown area for a true convention center. Therefore, a second survey was sent to Atlanta meeting planners to understand their perspectives and determine if a more compact convention hotel would be compelling for them. Unfortunately, there were too few responses to the survey to provide an adequate read of that market, suggesting that Greenville may not be as compelling a destination for Atlanta meeting planners as hoped.

The details of both surveys as well as the interviews with key planners and stakeholders is described in this chapter.

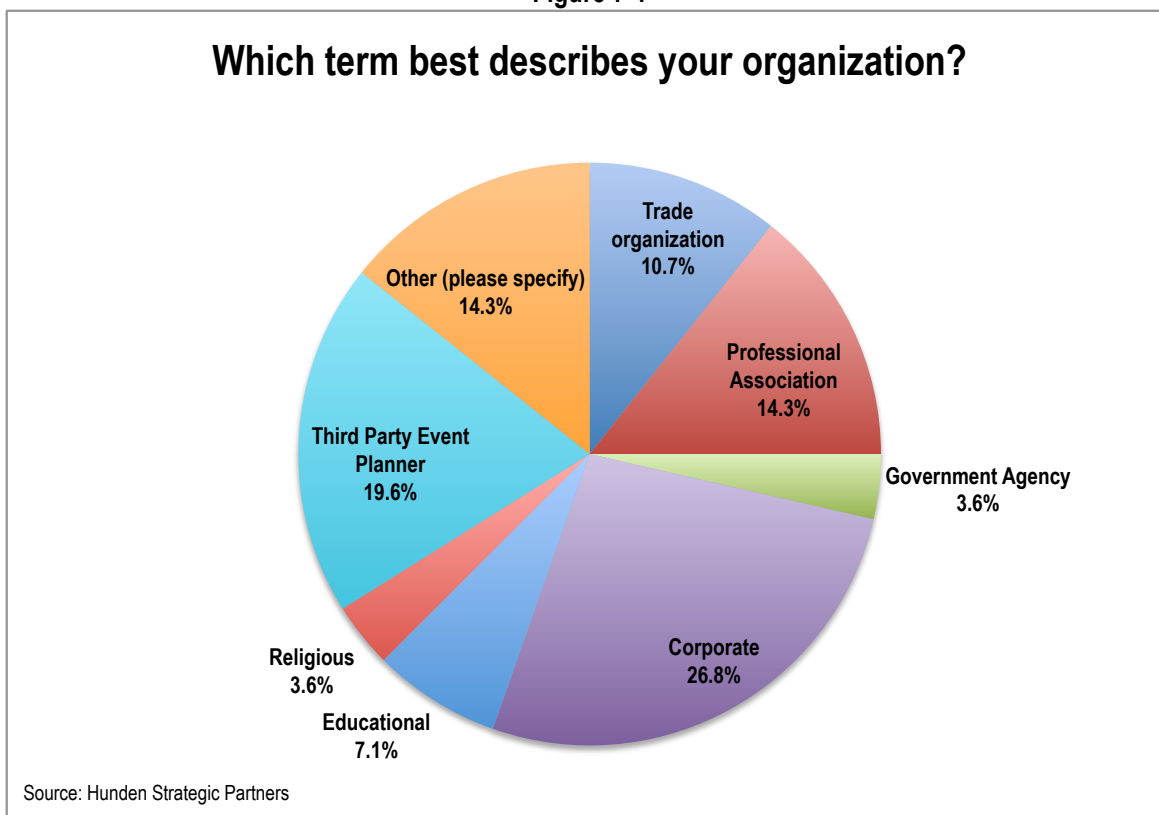
Survey Results

HSP received 56 responses from meeting planners. This survey was distributed from Meeting Planner International Carolinas chapter and multiple Destination Marketing Association International databases in Georgia. The HSP team felt these planners would provide the best representation of the needs and expectations of the meeting planner market.

While the results are not scientific, they do provide insight into meeting planner thoughts about Greenville and its competition. The results are presented below.

The following figure shows survey responses by type of organization.

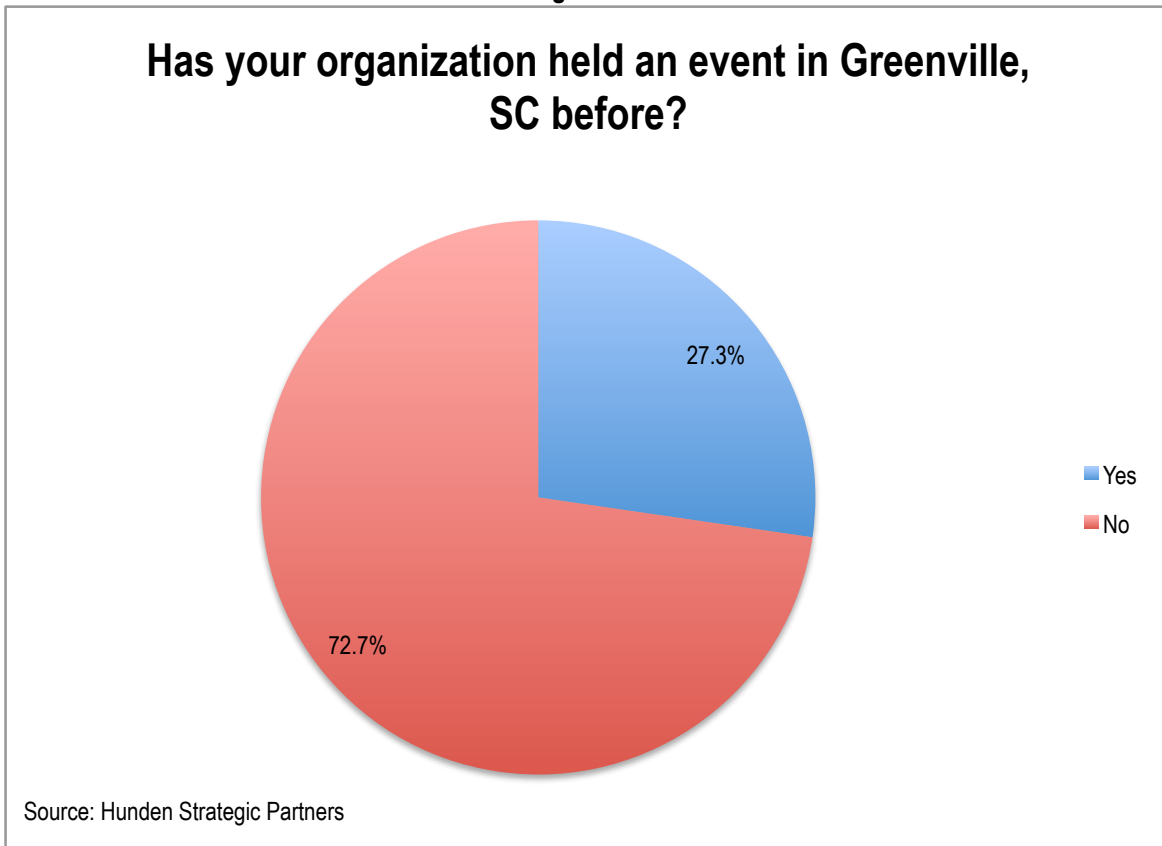
Figure 7-1



As shown, corporate groups accounted for nearly 27 percent of total respondents, followed by third party event planners, which accounted for nearly 20 percent. Professional associations were the third most common type of organization with 14.3 percent.

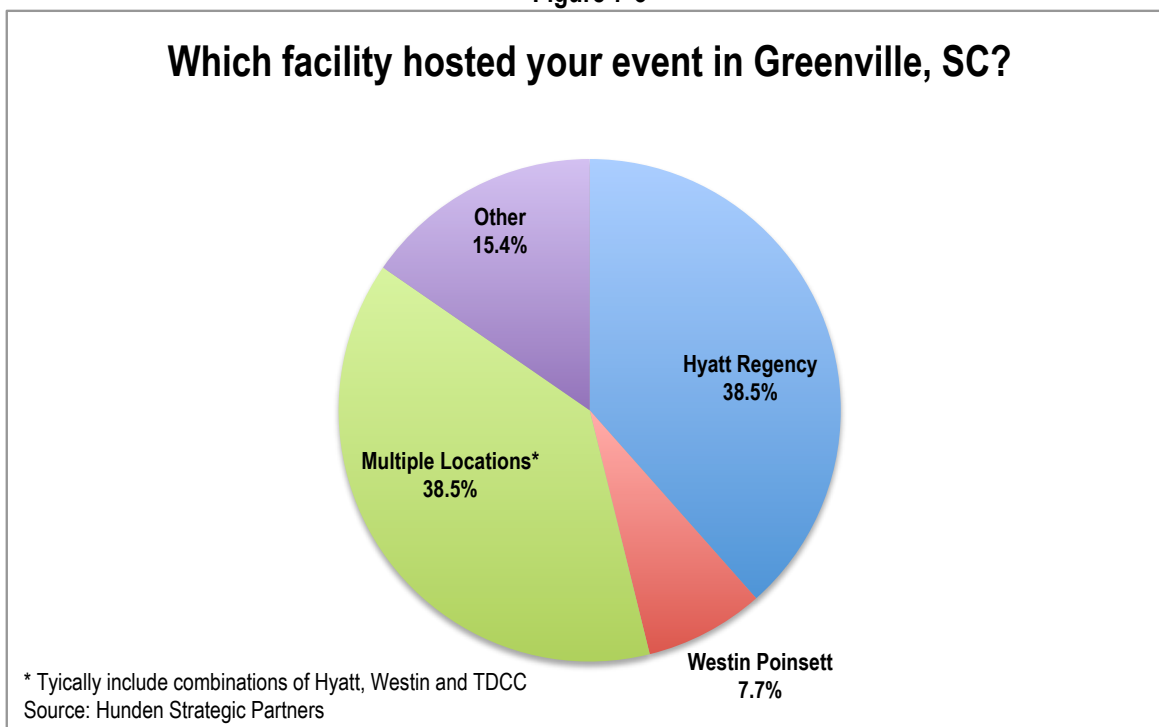
The figure below shows the relationship of respondents that had and had not hosted an event in Greenville.

Figure 7-2



The following figure shows the facilities that respondents used to host their events in Greenville.

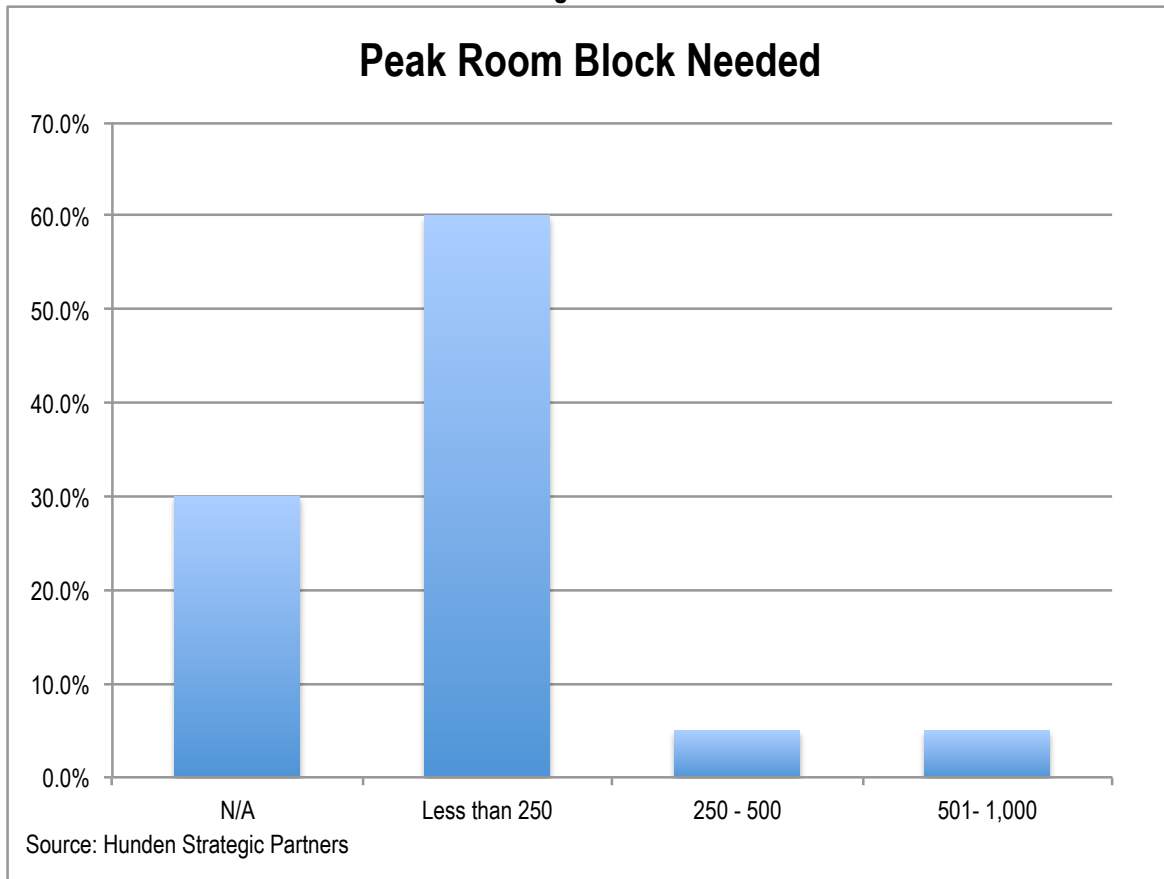
Figure 7-3



The Hyatt Regency Greenville was the most common venue for meeting planners with nearly 40 percent, while Westin Poinsett was second with 7.7 percent. However, many events utilized multiple locations simultaneously, which typically included a combination of the Hyatt Regency, Westin Poinsett and TD Convention Center. The 'other' category captures unspecified venues, such as "hotel" and "various."

The following figure shows the peak room block needed for the respondents' largest event.

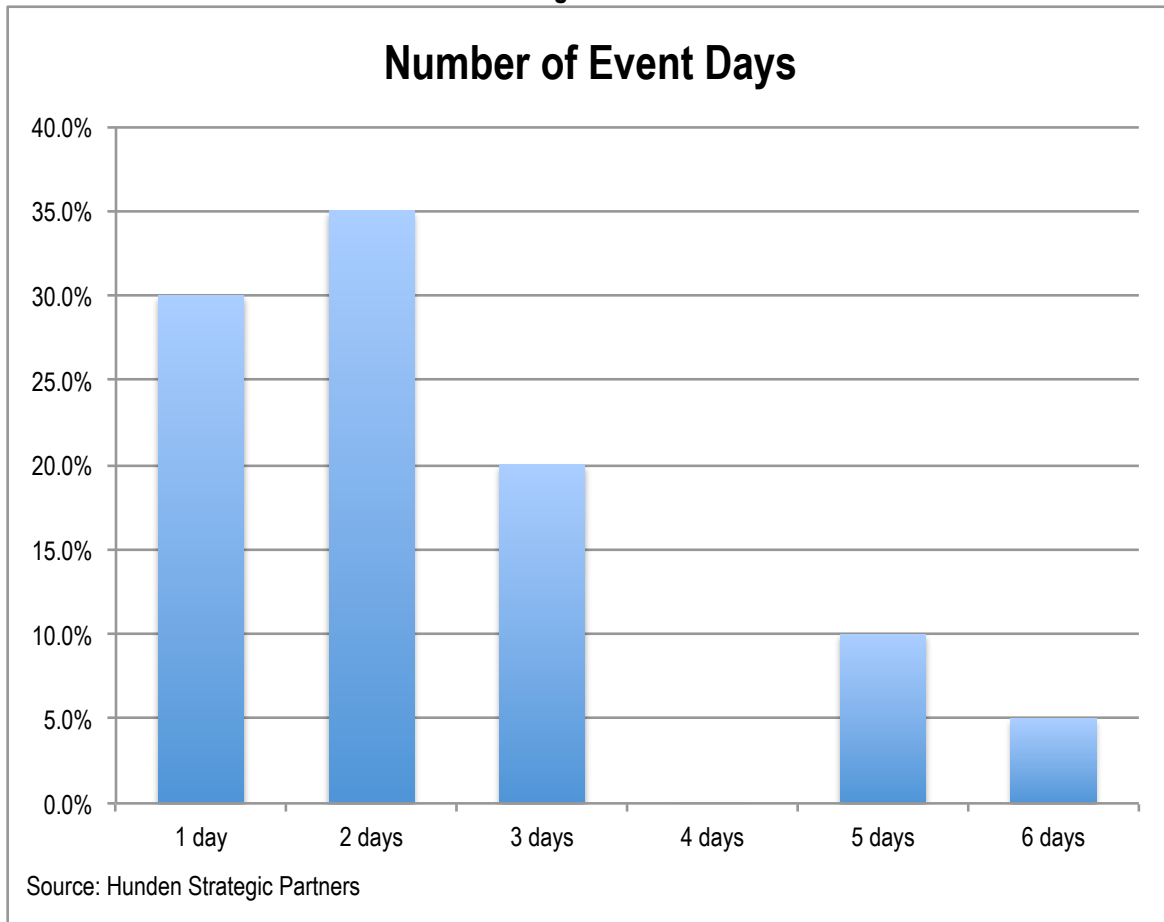
Figure 7-4



Three of every five events needed a room block of less than 250 hotel rooms, while another 30 percent said that a room block did not apply to their event.

The following figure shows the number of events for the respondents' largest event.

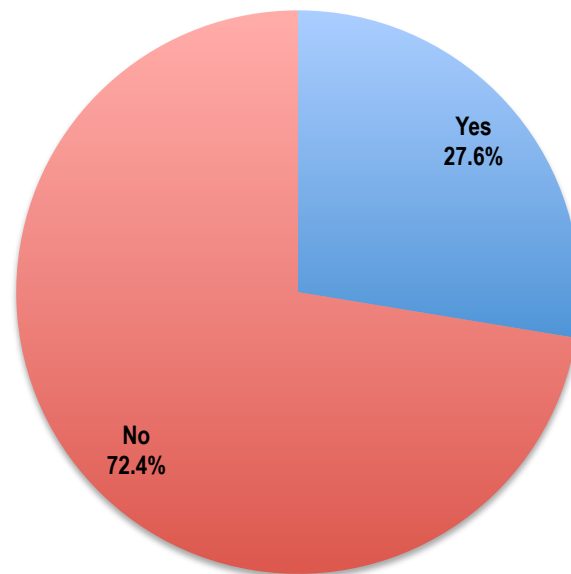
Figure 7-5



The majority of events had duration of three days or fewer with the most typical length being two days, which would be a weekend event in most cases. A handful of five- and six-day events also exist, though no four- or seven-day or longer events were mentioned.

The following figure shows whether respondents had considered Greenville as a site to host events.

Has your organization considered hosting an event in Greenville, SC?

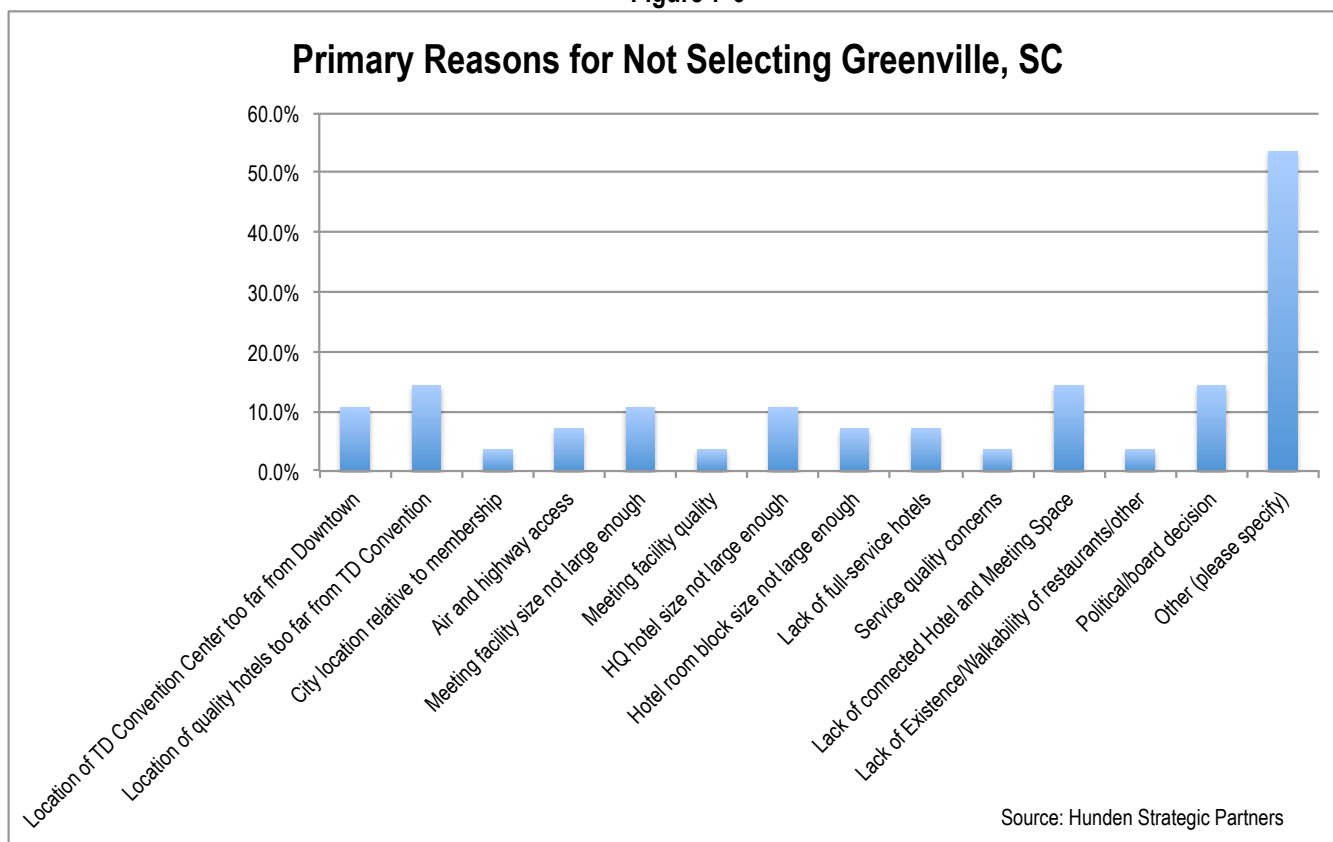


Source: Hunden Strategic Partners

The percentage of organizations that had and had not considered Greenville as a host city for an event were nearly identical to those describing which organizations had and had not already hosted an event in Greenville.

The following figure shows which factors had the largest impact on meeting planners' decision to not host an event in Greenville.

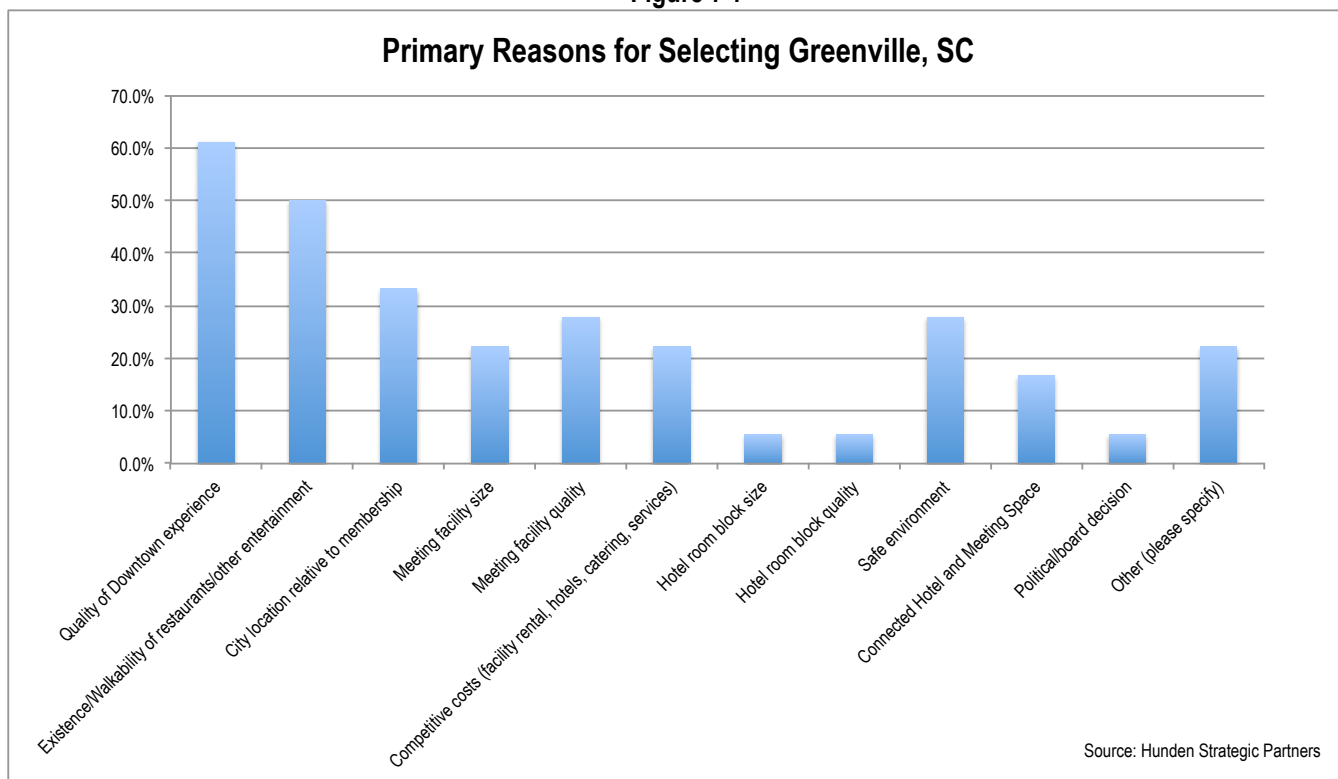
Figure 7-6



Excluding the 'Other' category, which accounts for many different comments and issues, a lack of connected hotel and meeting facilities and political/board decisions dictated meeting planners' reluctance to host an event in Greenville. In the 'Other' category, meeting planners were unaware or unfamiliar with Greenville, or stated that the Greenville market was too small to meet minimum population thresholds. Ultimately, if Greenville had a facility with connected hotel rooms and the meeting/ballroom space needed, many of the issues above would be mitigated.

The following figure shows the reasons meeting planners selected Greenville to host an event.

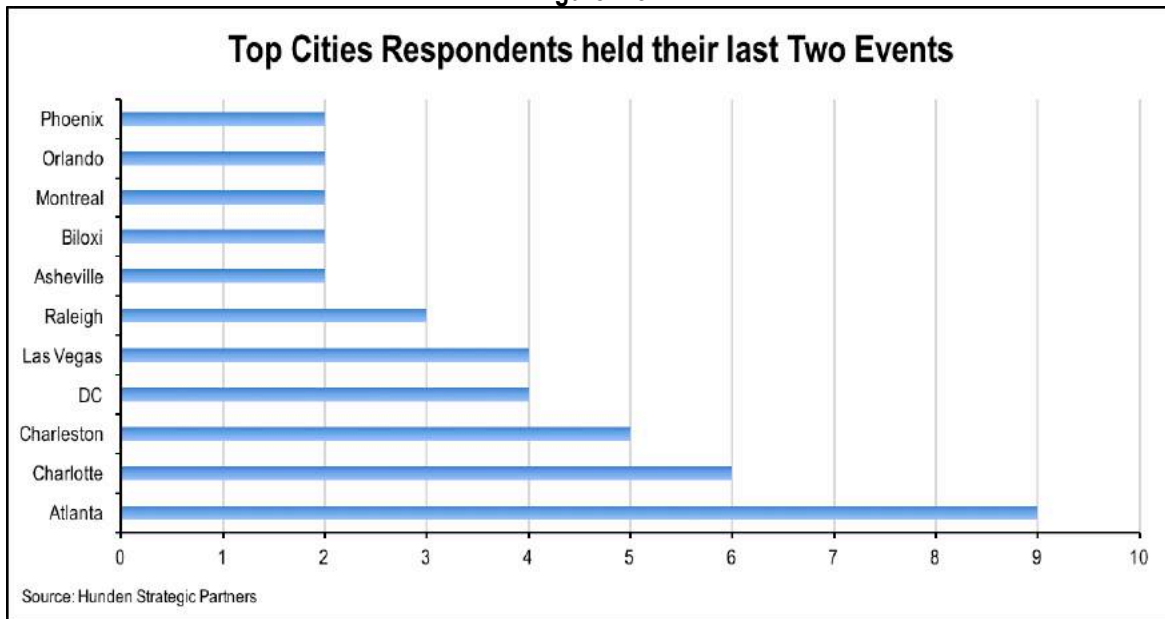
Figure 7-7



The downtown experience and walkability of restaurants and other entertainment options are Greenville's best attributes according to meeting planners. Planners also feel that meeting space is of adequate quality and Greenville has a safe environment for attendees.

The following table shows the cities meeting planners used for their organization's two most recent events.

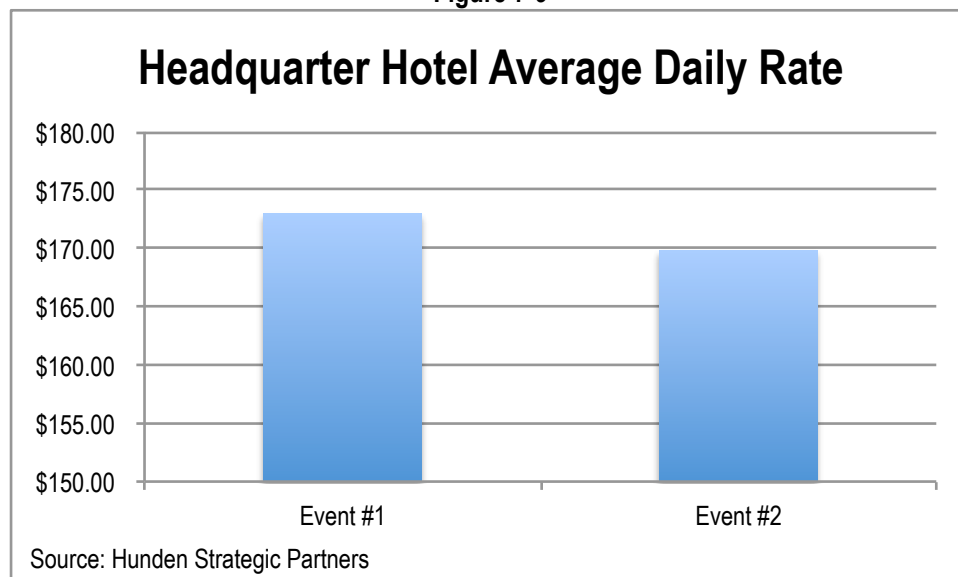
Figure 7-8



As the figure shows, Atlanta was the most frequent city respondents indicated as where their last two events were held, with nine responses. Charlotte and Charleston followed behind with six and five responses, respectively, and DC and Las Vegas came in at four responses.

The following figure shows the average daily rate for hotel rooms during the meeting planners' two previous events.

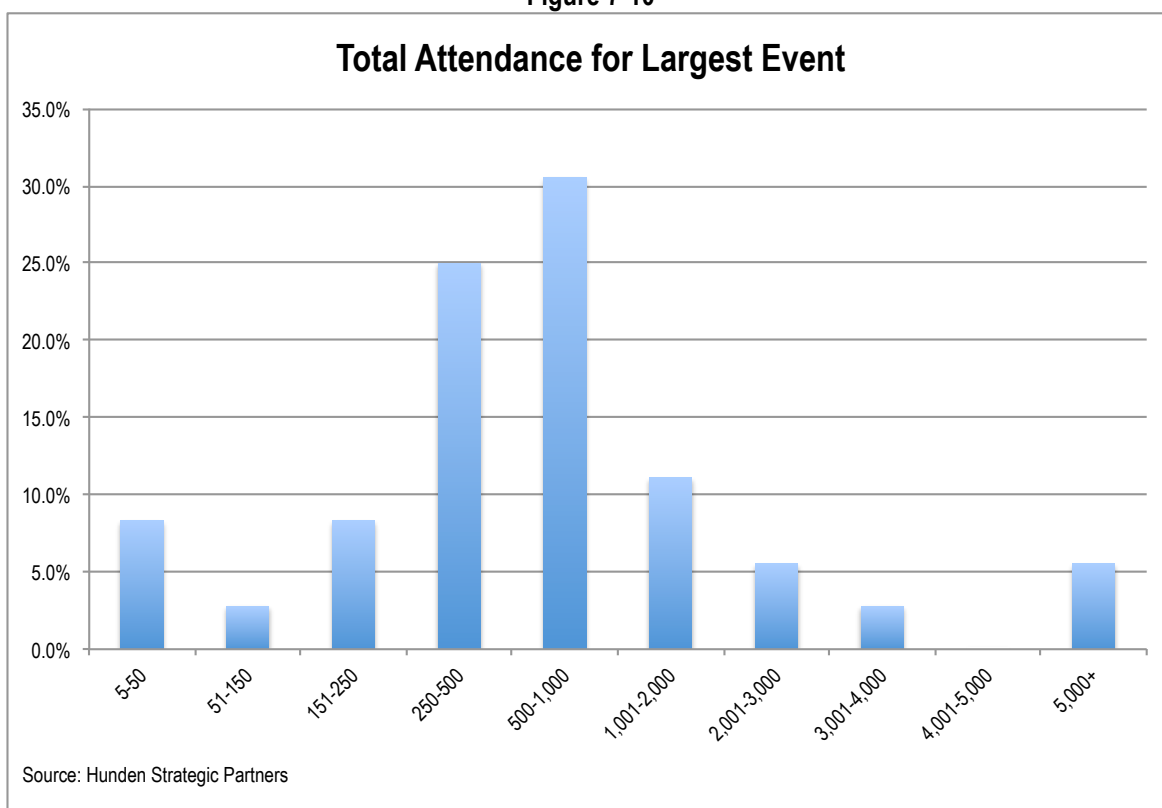
Figure 7-9



The average daily rates (ADR) reported in the previous figure represent many different types of organizations with various budgets and buying power. The highest amounts paid for a headquarter hotel room were \$599 and \$499, while the minimum amounts were \$79 and \$89, respectively. Excluding the outliers at the top of the range revealed a nearly identical average daily rate of \$170.30 and \$170.13, as well as a maximum spend of \$249 per night for both groups of data. Based on the local hotel market analysis in a previous chapter in this report, the ADR for Greenville is marginally higher than the average for meeting planners in the Carolinas and Georgia area. This puts Greenville in a position to leverage its attractive downtown while still remaining affordable for many organizations.

The following figure shows the attendance for the respondents' largest event.

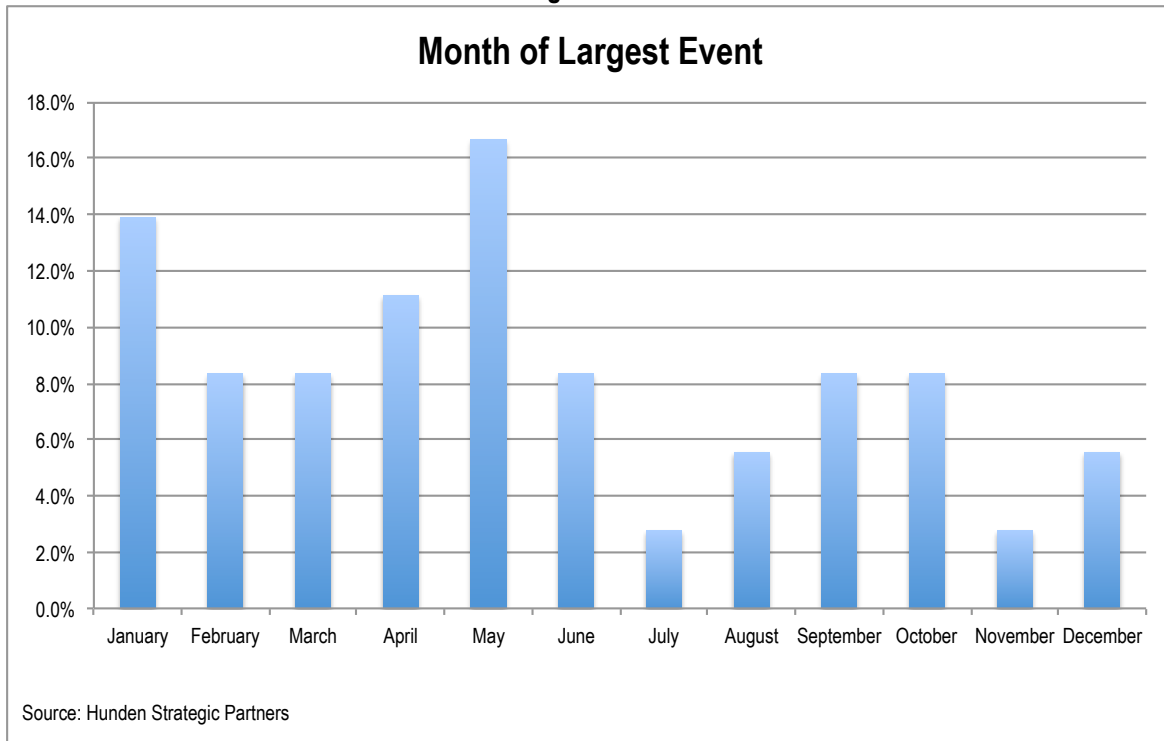
Figure 7-10



As shown, the majority of organizations' largest events are attracting 250 – 1,000 attendees. More than 30 percent of respondents reported events that host 500 – 1,000 people. Nearly as many respondents claimed to attract 250 – 500 attendees. These groups would easily be accommodated within the TDCC, though accounting for the types of organizations coming to Greenville, more ballroom space and breakout rooms will likely be needed in lieu of exhibit space. Also, considering the ADR for the attendees of these events, higher-end spaces would likely fit the desired setting for these organizations.

The following figure shows the month of the respondents' largest annual event.

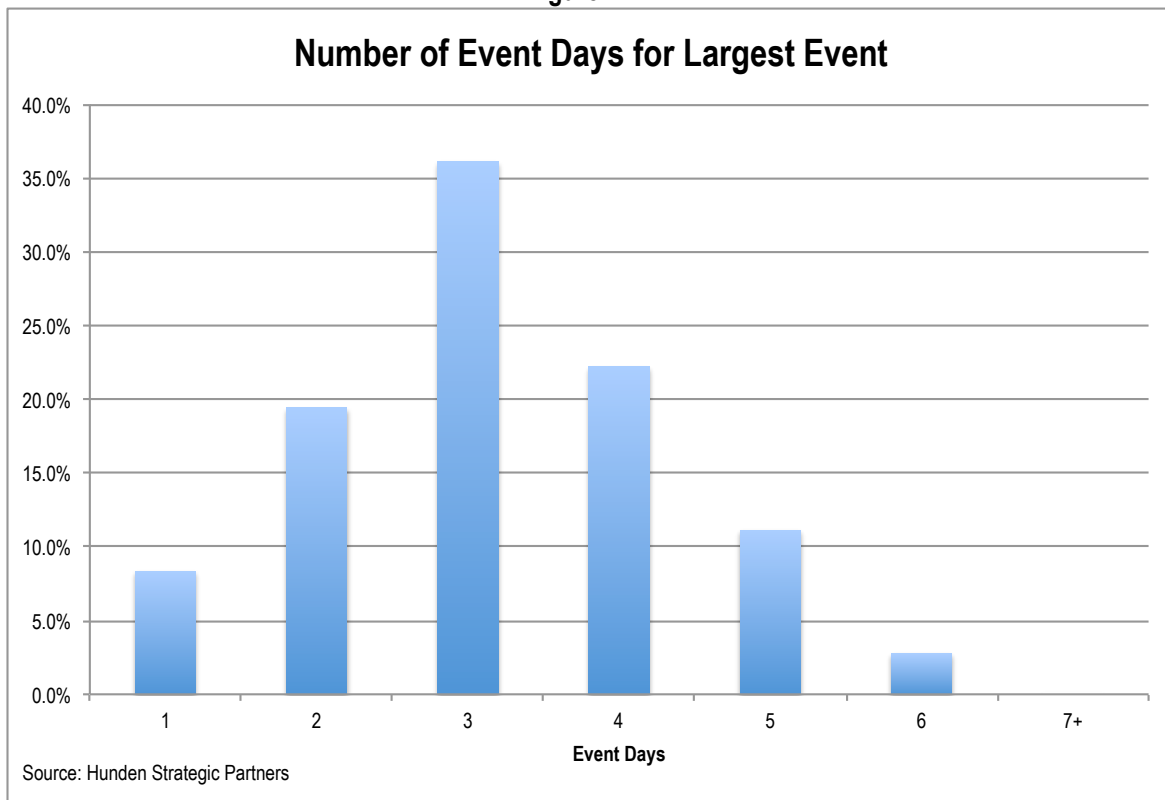
Figure 7-11



For the region surveyed, January and May are the most popular months for the meeting planners and organizations to host their largest event. These two months combined capture more than 30 percent of respondents. Further, popularity of events in February and March are mirrored by events in September and October. While more responses could provide a clearer picture on these trends, it appears that spring and fall are Greenville's strongest seasons.

The following figure shows the number of event days for respondents' largest event.

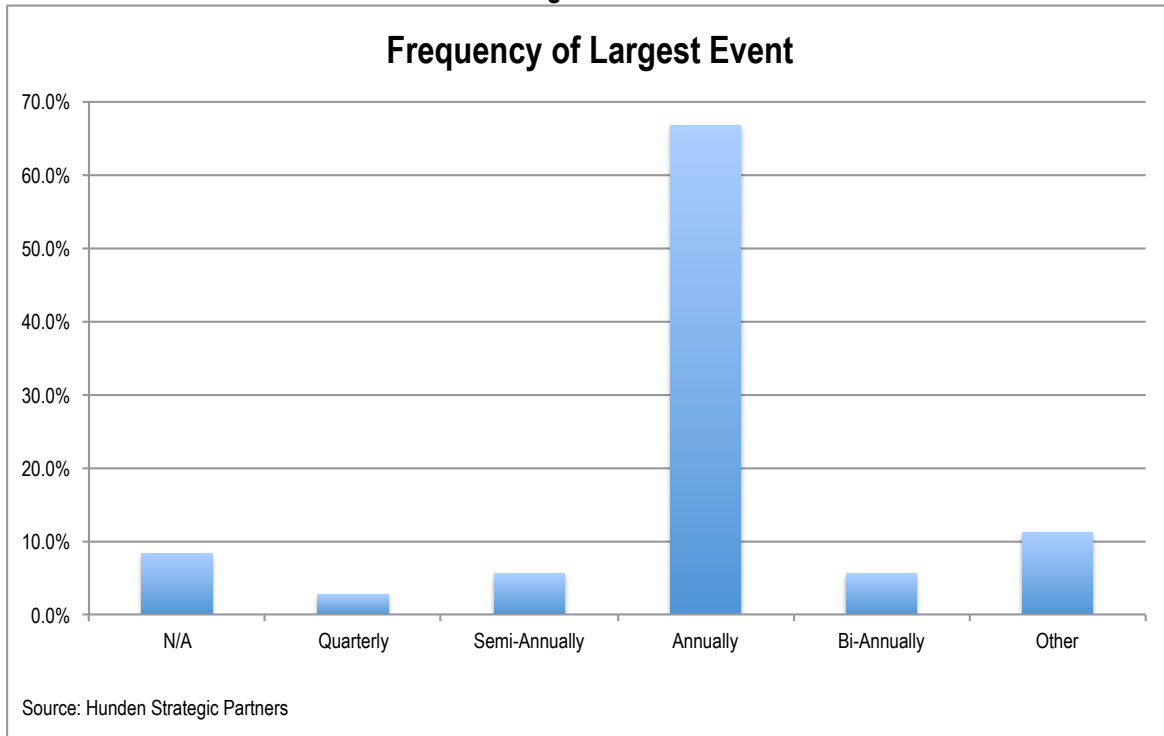
Figure 7-12



The trend for event days is a bell curve that peaks at three-day events with a slightly heavier distribution toward longer events than shorter.

The following figure shows the frequency of respondents' largest event.

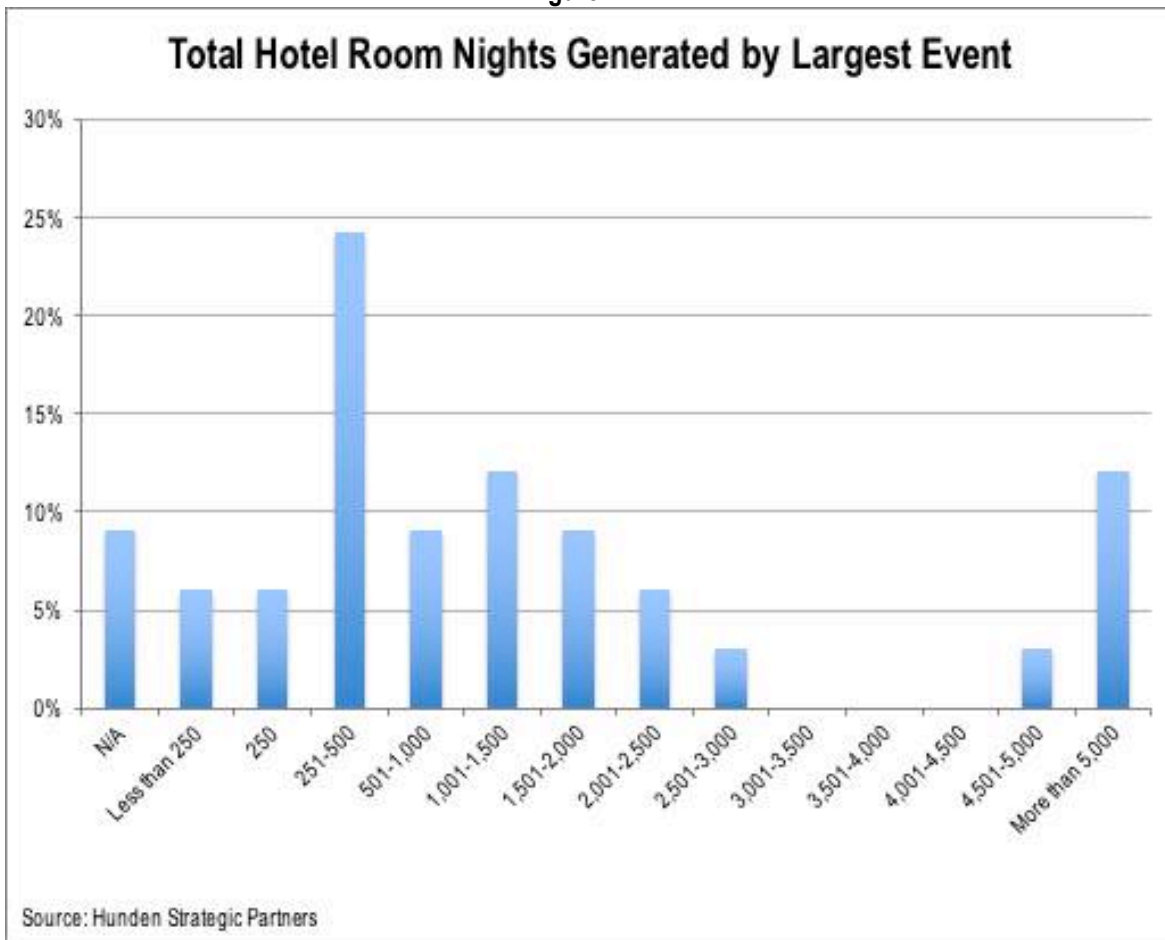
Figure 7-13



A large majority of events are hosted annually. Other frequencies are represented, but are far less typical. While this is the trend for respondents' largest events, many organizations tend to host more than one event annually, so other events may be captured each year or even on a rotating basis.

The following figure shows the total hotel room nights generated of respondents' largest event.

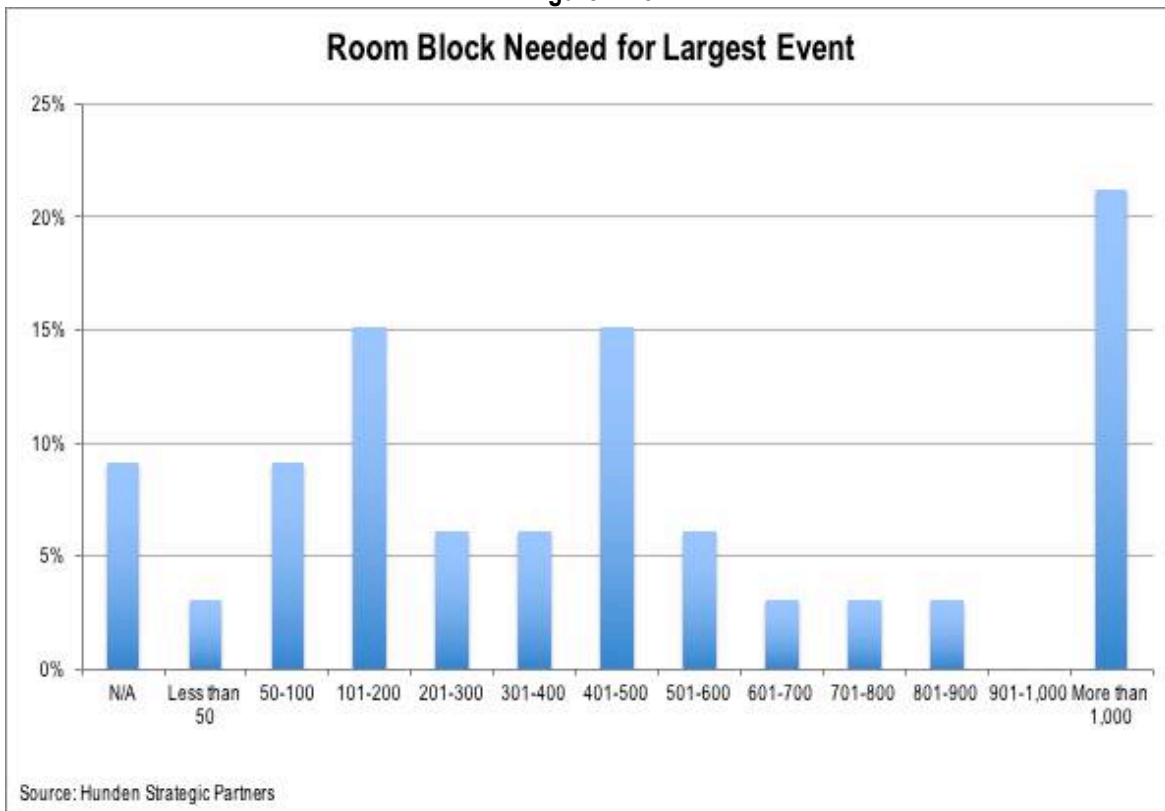
Figure 7-14



As shown, the majority of organizations' largest events are generating 250 – 500 room nights. More than ten percent of respondents reported events that generate 1,000 – 1,500 room nights, followed by events that generate 501-1,000 and 1,501-2,000 room nights.

The following figure shows the room block needed for respondents' largest event.

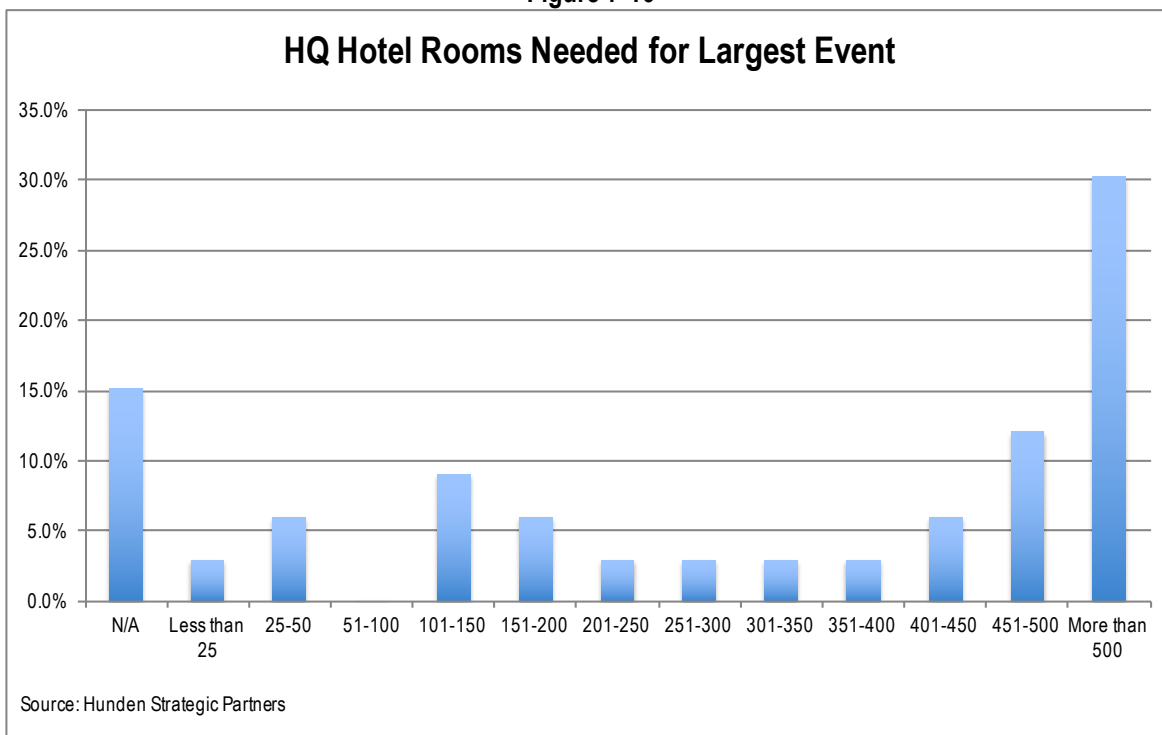
Figure 7-15



As shown, approximately 20 percent require more than 1,000 rooms for the largest annual event, followed by 401-500 and 101-200 at 15.2 percent. The majority of events need from 50 to 600 rooms in their block.

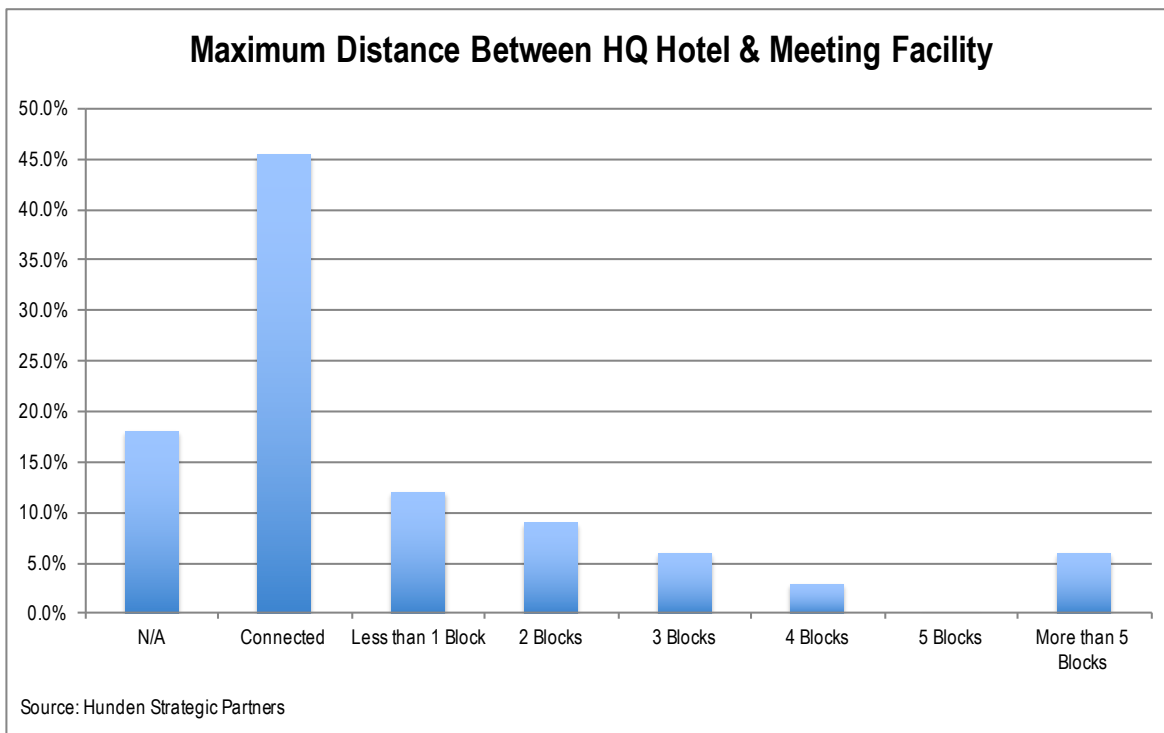
The following figure shows the required headquarter hotel rooms for the respondents' largest annual event.

Figure 7-16



As shown, 30 percent of respondents require more than 500 headquarter hotel rooms. The second and third highest requirements were 451-500 and 101-150 headquarter rooms, with 12 percent and nine percent, respectively. Approximately 24 percent require 151 through 450 rooms in their headquarters hotel, while nine percent require fewer than 100 rooms.

The figure below shows the maximum distance between HQ hotel and meeting facility for the respondents' largest annual event.

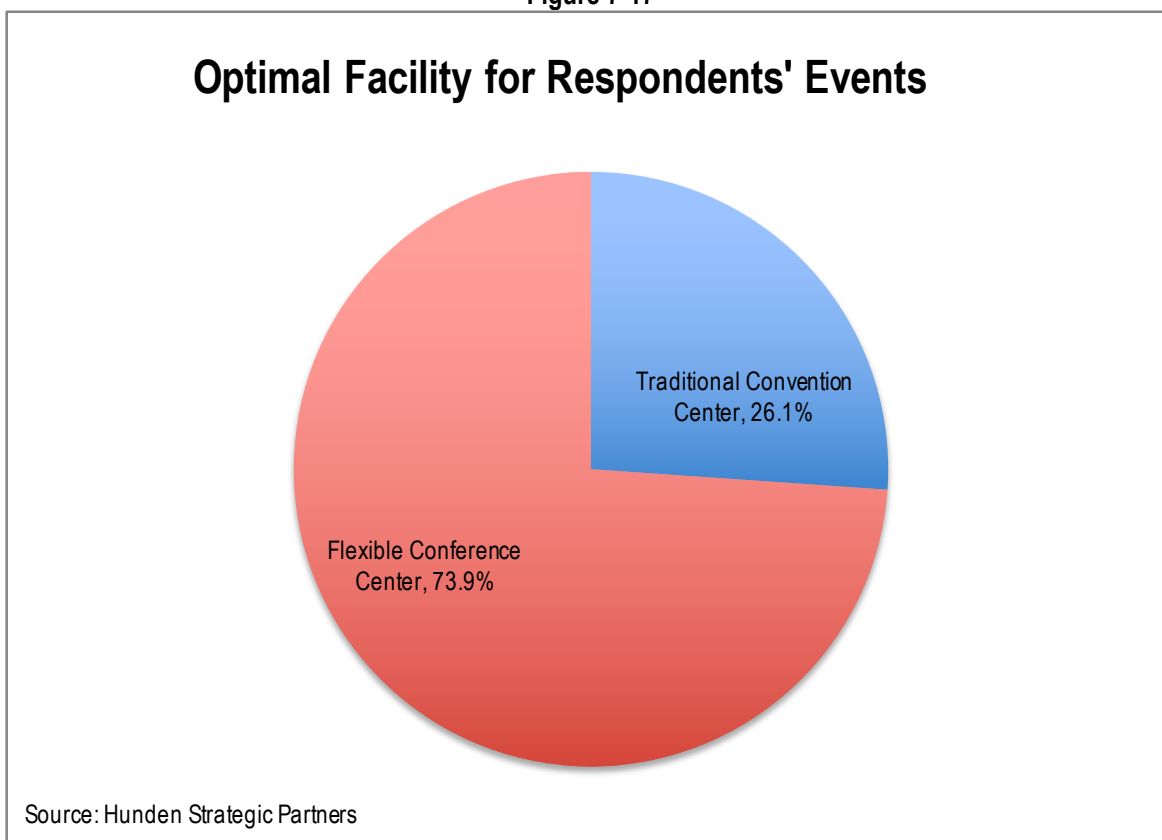


Respondents have indicated that a connected HQ hotel and meeting facility is most attractive. Nearly half chose “connected” when asked.

Meeting Space Requirements

The following figure shows optimal facility for the respondents’ largest annual event. HSP recognized that no site downtown could accommodate a full convention center, so planners were asked about a smaller alternative.

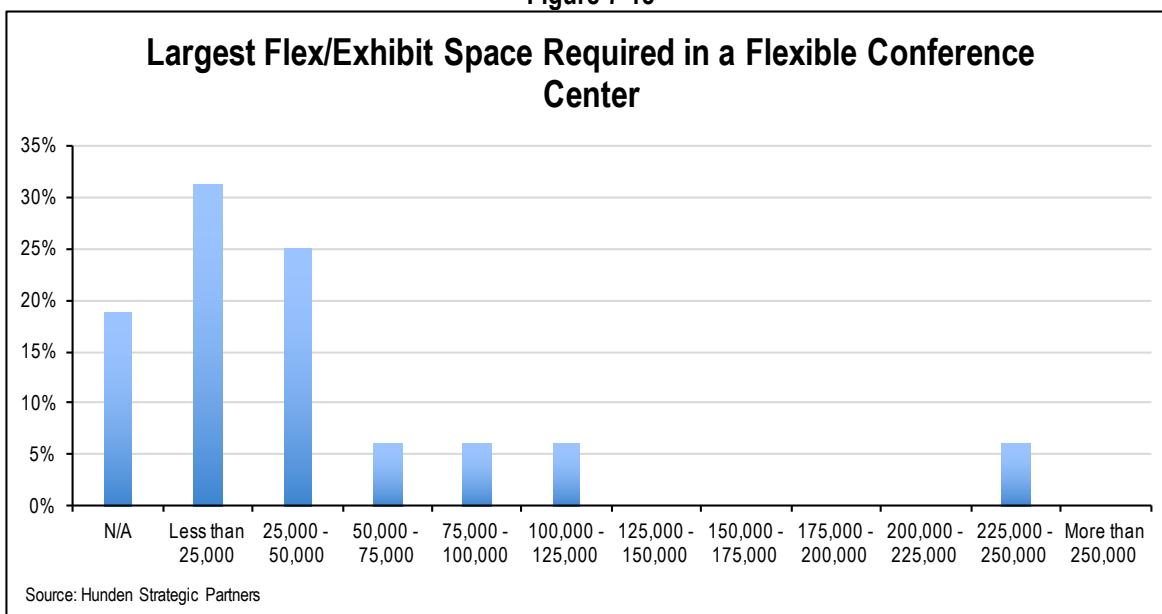
Figure 7-17



As the figure shows, 74 percent of respondents indicated that a flexible conference center is the optimal facility for their largest annual events, while 26 percent of respondents' optimal facility is a traditional convention center for their largest events. This suggests that Greenville can find success in this area without a full-sized convention center.

The following figure shows required flex/exhibit space required in a flexible conference center.

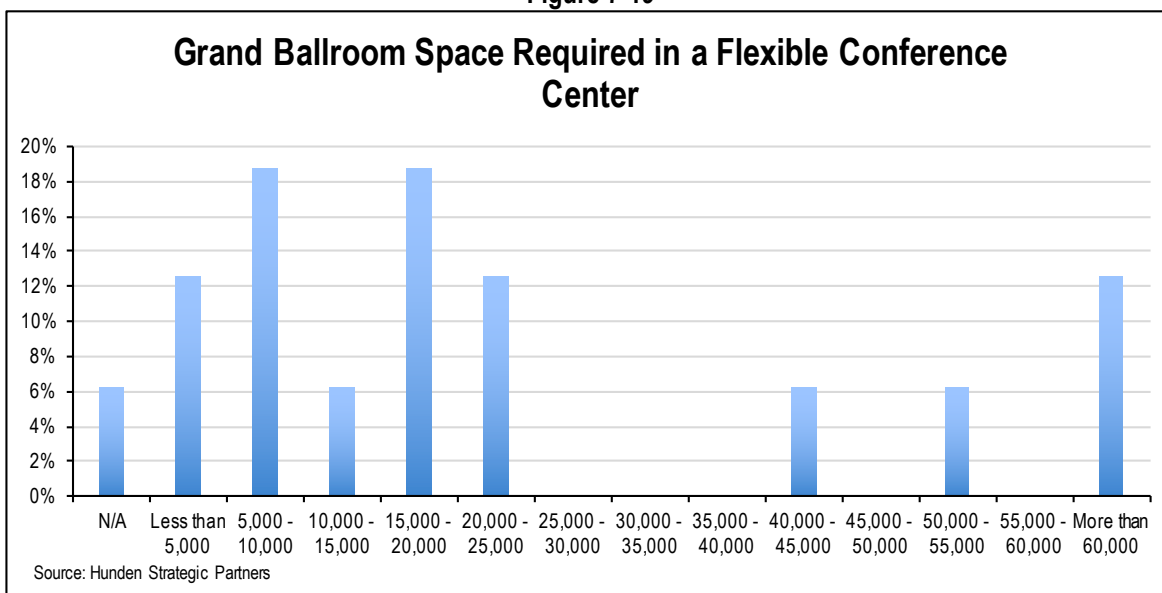
Figure 7-18



As shown, 57 percent need less than 50,000 square feet of exhibit/flex space.

The following figure shows required grand ballroom space in a flexible conference center.

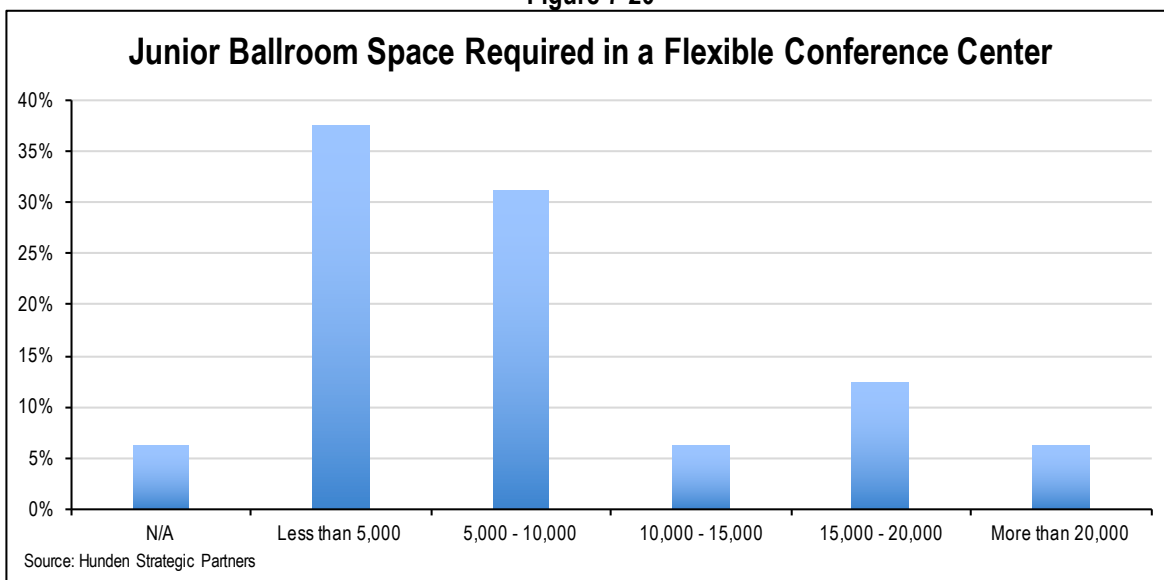
Figure 7-19



Most groups require less than 25,000 square feet in the grand ballroom.

The following figure shows required junior ballroom space in a flexible conference center.

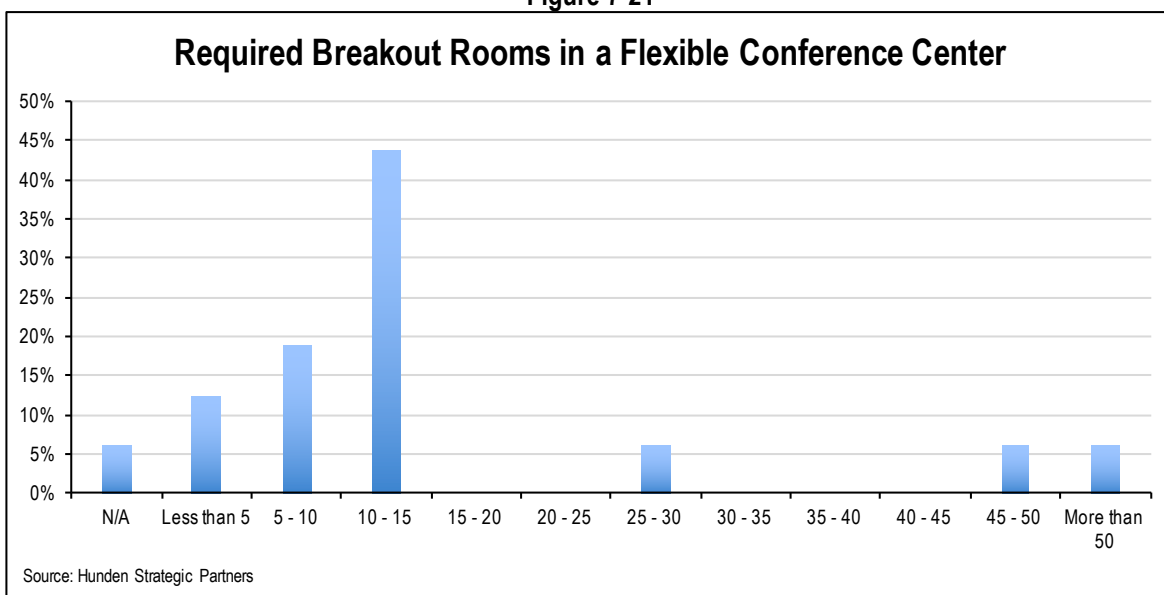
Figure 7-20



As shown, 38 percent of respondents require less than 5,000 square feet of junior ballroom space, while 31 percent require 5,000-10,000 square feet.

The following figure shows required breakout rooms in a flexible conference center.

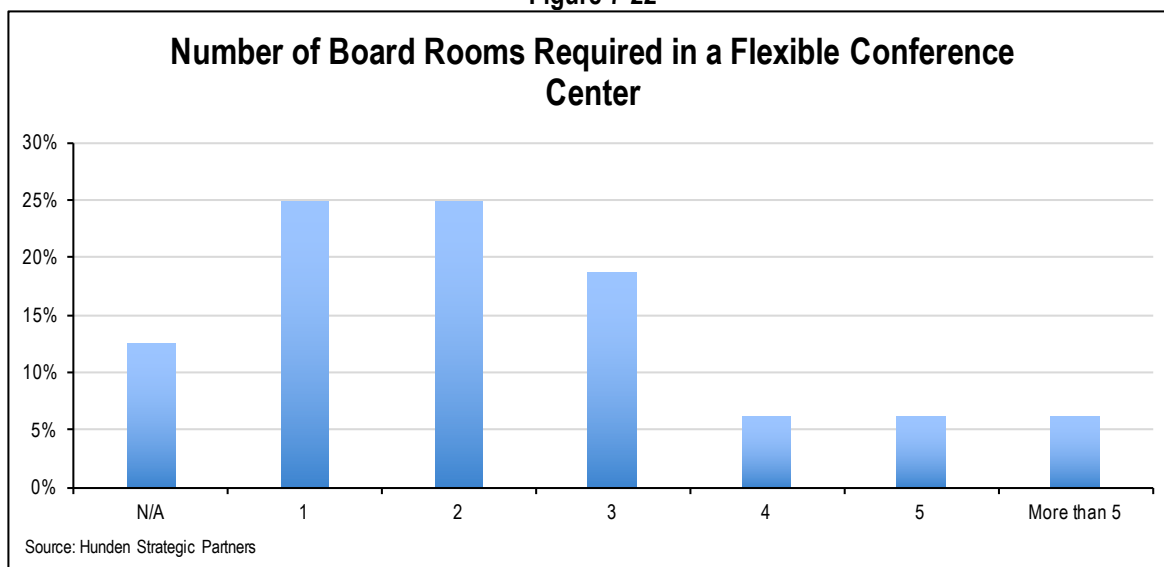
Figure 7-21



As shown, 75 percent of the respondents require less than 15 breakout rooms in a flexible conference center.

The following figure shows required boardrooms in a flexible conference center.

Figure 7-22

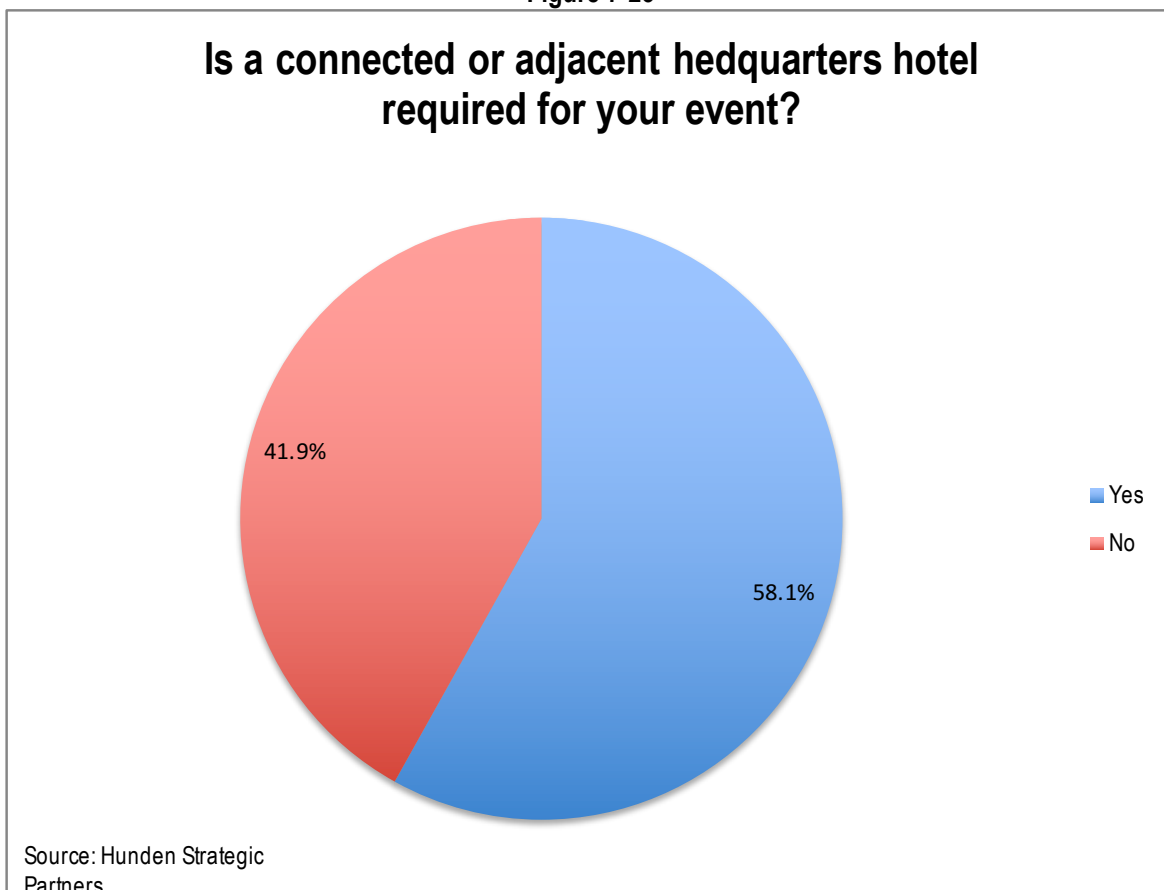


81 percent of respondents have indicated that less than three boardrooms are required in a flexible conference center for their events. More than four boardrooms surveyed at 18 percent for respondents' required number of boardrooms.

Hotel Requirements

The following figure shows respondents' requirements for connected or adjacent HQ hotels.

Figure 7-23

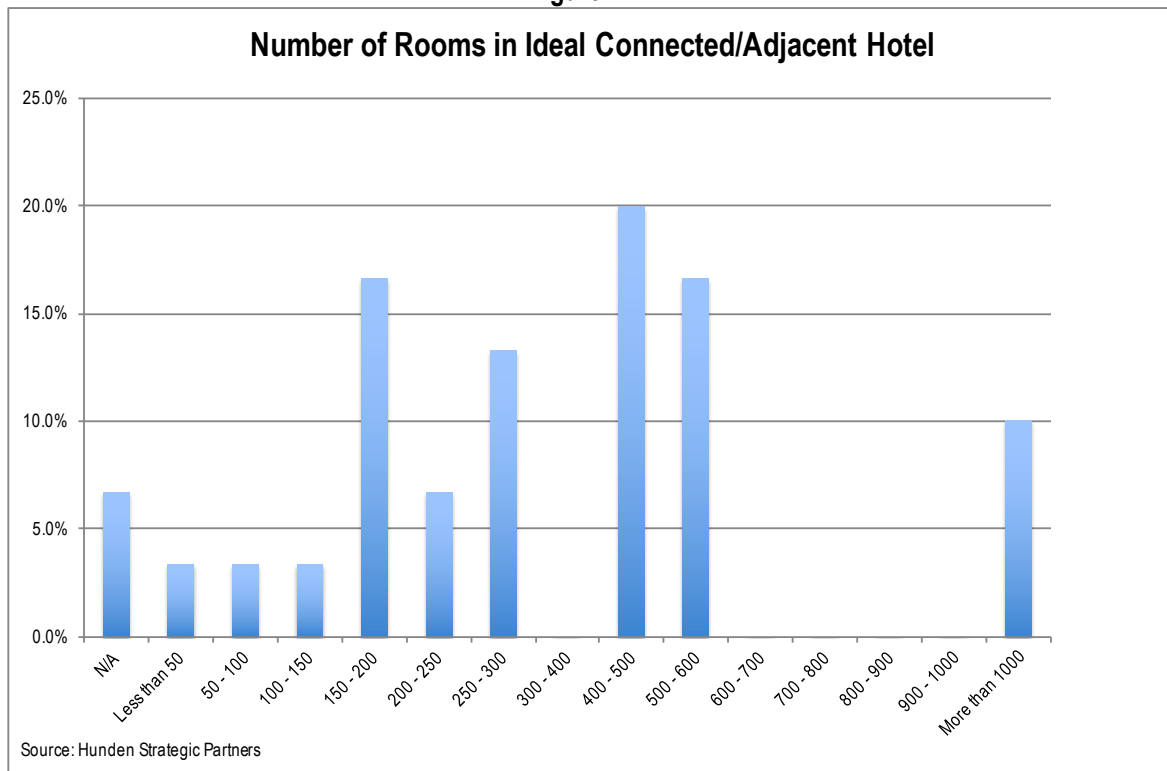


As shown in the figure, approximately 58 percent of respondents require a connected or adjacent headquarters hotel for their event, while approximately 41 percent do not.

Additionally, our survey results revealed that approximately 93 percent of respondents preferred a full-service hotel as the type of connected or adjacent hotel for their events.

The following figure shows respondents' requirements for number of rooms in an ideal connected or adjacent hotel.

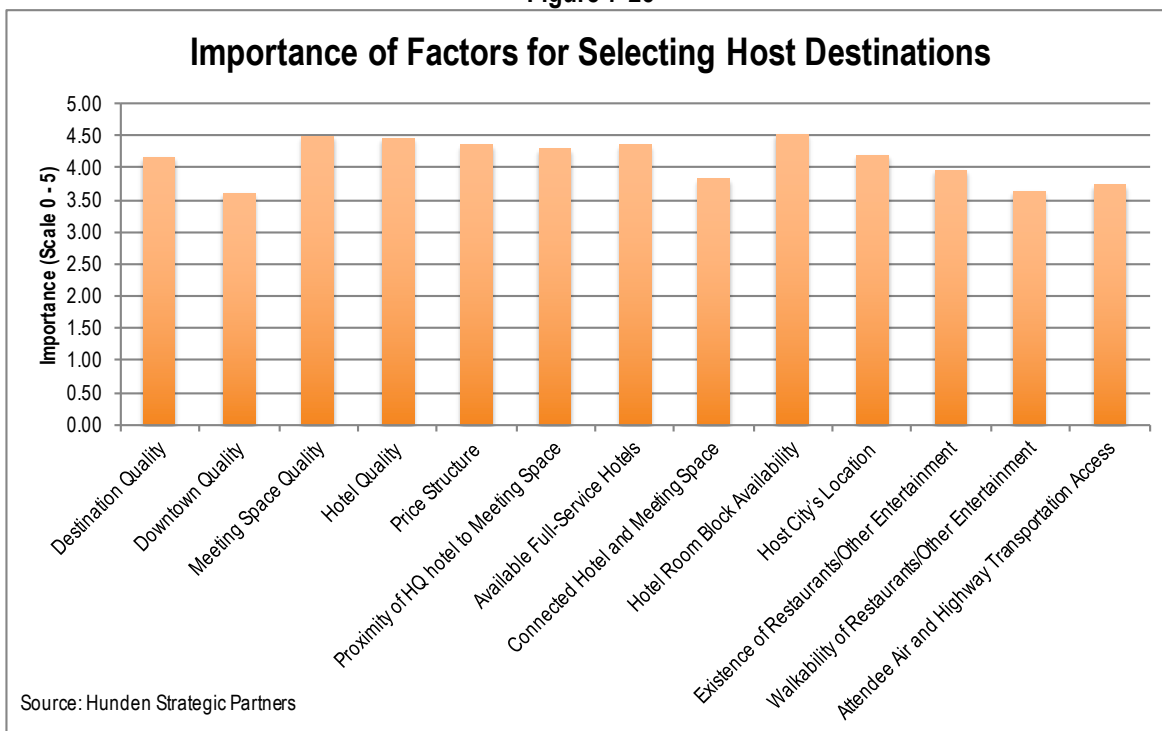
Figure 7-24



As shown in the figure, approximately 77 percent of respondents require 150 through 600 rooms in the ideal connected or adjacent hotel for their events. A 400-500-room hotel was the most often suggested answer.

The table below shows the results of the question regarding important selection factors.

Figure 7-25



All factors have an importance of 3.5 or higher, yet no factor exceeded 4.5. On a marginal basis, hotel room block availability, meeting space quality and hotel quality are the most important factors for event planners, which is an extension of the organizations hosting the events. Downtown quality is the least important factor, followed closely by walkability of restaurants and other entertainment.

Implications

The majority of responses to this survey came from South Carolina-, North Carolina- and Georgia-based organizations. The results of the survey indicate that these event planners host different sized events with the majority attracting 1,500 attendees or less. Approximately 60 percent of respondents require less than a 250-room peak block, while another 30 percent of respondents do not require a room block at all for their events.

In terms of TDCC, these meeting planners have indicated that the lack of connected or adjacent hotels is the determining factor for not selecting Greenville as a host city.

Interview Results

HSP contacted various groups that have held events in Greenville or could potentially hold events in a new event facility downtown. This section includes information about the current needs of user groups, as well as issues, challenges and suggestions for how Greenville can improve to better accommodate groups and provide a more attractive hospitality package for existing and new user groups.

The following table lists the groups contacted.

Table 7-1

Greenville Downtown Convention Center Interviews		
Organization	Name	Position
Blue Wall Real Estate	Bogue Wallin	Principal
BMW Manufacturing Co, LLC	Louise Connell	Event Manager
Bon Secours Wellness Arena	Beth Paul	General Manager
City of Greenville	Kai Nelson	City OMB Director
City of Greenville	Nancy Whitworth	Economic Development Director
City of Greenville	David Sudduth	City Councilmember
City of Greenville	Amy Doyle	City Councilmember
City of Greenville	Bob Taylor	County Council Chairman
City of Greenville	Knox While	Mayor
City of Greenville	Jim Burns	County Councilmember
City of Greenville	Butch Kirven	County Council Vice Chairman
City of Greenville	Sid Cates	County Councilmember
Eastern Outdoor Reps Association	Debbie Motz	Executive Director
Greenville Chamber of Commerce	Ben Haskew	President
Homebuilders Association	Michael Dey	Executive Vice President
Hughes Development Corp	Bob Hughes	President
JHM Hotels	DJ Rama	Owner
M Judson Booksellers	Samantha Wallace	Owner
NEXT	John Moore	President & CEO
Rick Erwin Dining Group	Rick Erwin	Owner/Founder
SC Arms Collectors Association	Spencer Barker	Show Director
Scansource, Inc	Mike Baur	CEO
SMG	John Wiluzs	TDCC General Manager
Synnex Corporation	Bob Stegner	SVP Marketing North America
Table 301 Restaurant Group	Carl Sobocinski	Owner
The Hughes Agency	Velda Hughes	Owner & CEO
University of South Carolina	Bryan Burgin	Director of Conferences and Events
Upstate SC Alliance	John Lummus	President and CEO
VisitGreenvilleSC	Chris Stone	President
Source: Hunden Strategic Partners		

HSP conducted a number of interviews to help determine the potential need and inducement potential of a convention center in Greenville. In addition, HSP received comments and feedback from the largest current user groups of the TD Convention Center.

This section summarizes our findings and suggestions based on interviews and other primary and secondary research. The findings drive the implications and the recommendations for the Greenville convention center and overall hospitality package. The implications from the interviews are presented by key components for a meetings and hospitality package.

Synnex Corporation

Synnex Corporation is a Fortune 500 information technology supply chain services company that is currently one of the primary user groups of the TD Convention Center. The corporation hosts an annual Wednesday through Friday National Conference that includes a 1,000-person sit-down dinner on Saturday. The event typically attracts 800 to 1,400 attendees. Conversations with Synnex indicated the following:

- Event typically occupies 80 percent of each hotel. Synnex rents buses for transportation to the TD Convention Center, which typically costs more than \$70,000. Visit Greenville SC contributes more than half of the total cost.
- 2015 National Conference needs were:
 - 30,000 square feet of general session space to accommodate 1,400 people
 - 100,000 square feet of exhibit space for vendors
 - 22 breakout rooms
 - 5,000 square feet for one-on-one meeting space
 - 3,000 hotel rooms
- Have held events previously in Denver, Charlotte and San Diego, but prefer Greenville.
- 1,400-person general session cannot be in a space with columns. This session could potentially be held in a downtown facility.
- Saturday evening dinner is a key revenue generator for the organization and cannot be forgotten.
- Would prefer that a new facility be developed in close proximity to the arena.

Scansource, Inc

Headquartered in Greenville, Scansource, Inc is an international distributor of specialty technology products for businesses, such as barcode scanners and video and audio conferencing solutions. A key user of the TD Convention Center, conversations with ScanSource indicated the following:

- Very happy with the service at TD Convention Center, but the location, convenience and quality/flexibility of the function space are the primary issues.
- Host 10 to 15 large events per year, typically ranging from 50 to 1,200 attendees. The majority of these events could be held in Greenville.
- Currently rarely utilize the exhibit hall. Events need 20,000 to 30,000 square feet of flexible ballroom space and 10 to 15 meeting rooms.
- Improvements to A/V, Wi-Fi, lounges, charging stations, green room, loading/unloading, and electric signage are all desired.

Additional Interviews

Current Situation

Additional interviews with current and prospective users of a Greenville convention center indicated the following about the current situation:

- TD Convention Center currently accommodates most events, and growing events still have plenty of space to grow into at TDCC.
- Many events are drive-in events, however, out-of-state attendees range from 10 percent to 25 percent. The TDCC can pull from the region.
- While events range from 500 attendees to up to 15,000, events typically fall in the 500 to 5,000-guest range.
- Many vendors and attendees are leaving downtown and staying at perimeter hotels due to the high rates. The lack of walkable hotels is a key challenge.
- The staff at TDCC is very well liked and respected. Numerous groups indicated that they are satisfied with the service quality, rates, availability, and general experience at TDCC. Compared to other facilities, the service is a deciding factor.
- Parking and overall congestion are concerns regarding a downtown facility.
- If the TD Convention Center closes, the majority of the events using exhibit hall space would likely relocate out of Greenville, but the roomnight impact would be minimal.
- Higher rated corporate business is very likely to relocate to a downtown facility.
- State associations are primarily using Greenville and Charleston for events. Greenville is typically the first choice, but associations must rotate events to accommodate membership. Raleigh, Charlotte, and Atlanta are the primary destinations outside of South Carolina.
- Without the TDCC, there would be no exposition or exhibition facilities in the upstate area that work well for consumer show events, so the area would likely forego many of these popular consumer events.
- The lack of hotel rooms around the TDCC causes logistical challenges and adds costs to events. Transportation to and from the TDCC is an issue for many groups.
- It is currently difficult to find significant function space downtown, specifically for groups of 700 to 1,000 attendees.
- Groups would like to have a larger headquarter hotel to minimize hotel contracts. It is currently very difficult to secure large enough room blocks to accommodate events. The Hyatt Regency and Westin are the most popular options before sending overflow to others.
- Greenville's current hotel inventory cannot conveniently accommodate large groups. The market is primarily made up of limited and select-service properties without amenities such as restaurants and ballrooms.
- There are not enough full-service hotel choices in the market, even outside Greenville.

Needs

Conversations with current and prospective user groups indicated the following about needs moving forward:

- There is a desire for 100,000 to 150,000 square feet of exhibit space.
- Groups would like to have more flexible function space in Greenville that can be dressed up or down depending on the event or use. The ability to flex from larger spaces to smaller, divisible rooms is preferred, in addition to more breakout rooms. Number of breakout rooms range from five to 15.
- A hotel within walking distance of the meeting facility is a necessity with a direct connection a critical desire for many. The hotel should be a minimum of 350 rooms and should include restaurant options, its own meeting space, and catering services.
- The area around the meeting facility should be surrounded with places to eat, shop and be entertained. This will make any potential venues much more attractive.
- Major corporations need a facility that will minimize cost and hassle. They prefer a facility that is walkable from hotels and activity nodes.
- Consumer show producers indicated that there are few good options for producing events. A downtown facility with comparable exhibit hall space to the TDCC would maintain Greenville's consumer show business. Parking availability is critical.

Implications

Many groups that currently use the TD Convention Center are content or satisfied with the facility's programming and quality of service. However, closing the doors to the TD Convention Center in favor of developing and operating a new meeting facility in downtown Greenville may produce more impact for the city considering enhanced room night generation. In other words, Greenville is currently able to accommodate a drive-in, low rate market with the TDCC, but could potentially replace that business with a higher-rated, more impactful business once a new, modern facility is developed.

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FINDINGS AND RECOMMENDATIONS

This chapter summarizes the HSP Team's findings and recommendations. The first element, Reality Check, is a summary of some of the key factors necessary to consider the proposed development. If those factors are not favorable, then development is not feasible without significant changes in the factors. These factors include funding options and site issues. These will be covered first, as the analysis cannot proceed without an understanding of "where" and "is it affordable?"

The second element is Key Findings regarding the analysis. The recommendations, site suggestion, drawings and budgets conclude the chapter.

REALITY CHECK

When considering any major real estate development, three items are critical to understand: funding, appropriate site availability and market demand. In short, the findings for each are as follows:

- **Funding.** HSP's investigation of existing funding sources suggests that unless there are significant shifts in short and longer-term funding priorities and commitments, there is not the funding available for a true convention center project, which includes structured parking and an adjacent hotel. All require public funding and the costs are significantly beyond what current funding sources, even with reallocated priorities, would support.
- **Site.** The HSP Team's investigation of sites that are both downtown and walkable from the key assets of downtown suggests that there are not any existing or land assemblies available that are large enough for a true convention center, related parking and required adjacent hotel. Developing on smaller sites requires more vertical (taller) development, which costs more. This is not to say that a site of 15+ acres could not be assembled in the future. Land assembly is a worthy goal if done in an appropriate location.
- **Market Demand.** HSP's analysis finds that *there is a market* that would hold meetings, conventions, conferences and other events in downtown Greenville. The downtown is very popular within the Carolinas and has some pull within the Atlanta market as well. However, due to the restrictions posed by the funding and site issues noted above, any project will need to be on a smaller footprint and have lower public funding requirements.

Funding Sources

The City of Greenville as well as the County and State of South Carolina has enacted various taxes that are intended to support tourism developments and activities through different channels. The HSP Team, in coordination with the Client, identified and reviewed funding sources from the City, County and State levels. The following discussion describes each of the three potential funding sources that could be utilized to fund and/or incentivize components of a convention center project.

Hospitality Tax Fund - The City of Greenville enacted a two percent hospitality tax on prepared meals and beverages in the City. The proceeds are to be used for tourist-related activities, improvements, and facilities as allowed under state law. The following items represent some of the major allocations of the Hospitality tax collection.

- Offset TDCC's operating loss, management and incentive fee, QECB debt service costs, and risk management costs. The amount varies based on the performance of the TDCC, with funding ranging from \$660,000 to as much as \$2.1 million.
- Offset operating losses at the Zoo. Since 2010, the Zoo has received between \$400,000 and \$475,000 annually.
- Transfer to General Fund to offset operating expenditures associated with special events and tourism. Allocations to the General Fund are more than \$2 million.
- Fund Capital Projects. Projects include Trail Expansion and City Park Phases. In recent years, funding of capital projects has been more than \$2 million.

Local Accommodations Tax - The City of Greenville collects a local three percent accommodations tax on hotel/motel charges within the city's limits. The three percent accommodations tax is separated into two portions. In 1994, the City of Greenville enacted a local accommodations tax of 2.3 percent. The proceeds of this 2.3 percent are to be used primarily as payment to the Greenville Arena District to repay debt incurred for the construction of the Bon Secours Wellness Arena and are subject to annual appropriation of City Council. In 2004, the City extended the authorization of the local accommodations tax of 0.7 percent. The proceeds of this 0.7 percent are to be used to defray the cost of tourism marketing services, subject to annual appropriation by City Council. The appropriation provides for the distribution of accommodations taxes for tourism marketing services, excluding a four percent collection cost. Per the Code of Ordinances, any excess revenues from the 2.3 percent or 0.7 percent may be used at the City Council's discretion for any use eligible under state law.

State Accommodations Tax – In 1984, the State of South Carolina enacted a two percent tax imposed on all accommodations in the state. The proceeds must be spent for tourism promotion and tourism-related expenditures. State law provides that a City's State Accommodations revenues be distributed as follows:

- The first \$25,000 must be allocated to the City's General Fund for general purpose use;
- Five percent of the balance must also be allocated to the City's General Fund;
- 30 percent of the balance must be allocated for the purpose of advertising and promotion of tourism; and
- The remaining balance must be used for tourism-related expenditures.
- The City Council adopted a Grant-In-Aid Policy that stipulates the establishment of a City Council reserve for unanticipated events, festivals, and other opportunities. This budget includes \$50,000 for the Council's contingency.

The following items represent some of the major allocations of the Local Accommodations Tax collections.

- Funds are transferred to Auditorium District for debt service payments.

- Approximately 22 percent of revenues are transferred to VisitGreenvilleSC.
- Fund TDCC capital improvements and FF&E expenses.

The following table shows the actual revenues and expenditures from each source.

Table 8-1

Expenditures by Revenue Source (net of bond proceeds or refundings)							
Fund Collections	2010	2011	2012	2013	2014	2015 Budget	Change
City Hospitality Tax							
Tax Revenue	\$6,059,401	\$6,571,109	\$7,088,246	\$7,815,817	\$8,482,537	\$8,695,320	44%
Other Misc Revenue	\$168,108	\$96,611	\$53,197	\$30,383	\$16,388	\$15,580	-91%
Total	\$6,227,509	\$6,667,720	\$7,141,443	\$7,846,200	\$8,498,925	\$8,710,900	40%
Expenditures							
Miscellaneous Grants	\$0	\$2,425	\$0	\$1,019	\$0	\$0	n/a
Debt Service	\$2,252,293	\$1,124,638	\$2,447,970	\$2,197,224	\$2,341,125	\$2,348,553	4%
<i>TD Convention Center</i>	<i>\$807,340</i>	<i>\$2,184,219</i>	<i>\$853,959</i>	<i>\$1,142,321</i>	<i>\$658,915</i>	<i>\$946,953</i>	<i>17%</i>
<i>Capital Projects Fund</i>	<i>\$150,000</i>	<i>\$2,022,555</i>	<i>\$707,476</i>	<i>\$1,193,981</i>	<i>\$2,581,000</i>	<i>\$2,475,000</i>	<i>1550%</i>
Parking Fund	\$0	\$0	\$557,000	\$0	\$48,000	\$0	n/a
Zoo Enterprise Fund	\$475,000	\$475,000	\$475,000	\$457,417	\$395,127	\$395,127	-17%
<i>General Fund</i>	<i>\$2,174,927</i>	<i>\$2,226,399</i>	<i>\$2,374,921</i>	<i>\$2,490,607</i>	<i>\$2,500,531</i>	<i>\$2,636,347</i>	<i>21%</i>
Total	\$5,859,560	\$8,035,236	\$7,416,326	\$7,482,569	\$8,524,698	\$8,801,980	50%
Net	\$367,949	(\$1,367,516)	(\$274,883)	\$363,631	(\$25,773)	(\$91,080)	
City Accommodations Tax							
Tax Revenue	\$1,710,651	\$2,015,881	\$2,253,925	\$2,396,064	\$2,802,132	\$2,772,900	62%
Other Misc Revenue	\$556	\$6,048	\$283	\$68	\$189	\$100	-82%
Total	\$1,711,207	\$2,021,929	\$2,254,208	\$2,396,132	\$2,802,321	\$2,773,000	62%
Expenditures							
Auditorium District	\$1,180,388	\$1,076,489	\$1,116,868	\$1,562,303	\$1,209,794	\$1,226,555	4%
CVB	\$383,192	\$452,645	\$504,846	\$532,526	\$632,119	\$621,130	62%
Operating	\$0	\$0	\$0	\$11,085	\$150,000	\$150,000	100%
Transfer to							
<i>General Fund</i>	<i>\$15,966</i>	<i>\$18,860</i>	<i>\$21,035</i>	<i>\$22,189</i>	<i>\$26,338</i>	<i>\$303,116</i>	<i>1799%</i>
Parking Fund	\$0	\$0	\$0	\$0	\$1,229,000	\$0	n/a
TDCC	\$0	\$0	\$0	\$50,000	\$450,000	\$185,000	100%
Total	\$1,579,546	\$1,547,994	\$1,642,749	\$2,178,103	\$3,697,251	\$2,485,801	57%
Net	\$131,661	\$473,935	\$611,459	\$218,029	(\$894,930)	\$287,199	
State Hospitality Tax							
Tax Revenue	\$1,049,375	\$1,240,425	\$1,355,081	\$1,644,141	\$1,817,424	\$1,821,000	74%
Other Misc Revenue	\$793	\$532	\$824	\$735	\$1,009	\$0	-100%
Total	\$1,050,168	\$1,240,957	\$1,355,905	\$1,644,876	\$1,818,433	\$1,821,000	73%
Expenditures							
Transfer to General Fund	\$235,692	\$247,417	\$241,504	\$255,957	\$114,621	\$114,800	-51%
Transfer to Hospitality Tax Fund	\$50,000	\$50,000	\$50,000	\$50,000	\$0	\$0	-100%
City Council Reserve - Grant-In-Aid Policy	\$19,000	\$20,000	\$33,000	\$50,000	\$35,000	\$50,000	163%
<i>Tourism Promotions - CVB</i>	<i>\$307,312</i>	<i>\$364,627</i>	<i>\$399,025</i>	<i>\$485,742</i>	<i>\$537,728</i>	<i>\$538,800</i>	<i>75%</i>
<i>Tourism Projects</i>	<i>\$437,370</i>	<i>\$513,700</i>	<i>\$601,250</i>	<i>\$578,750</i>	<i>\$869,341</i>	<i>\$1,200,000</i>	<i>174%</i>
Total	\$1,049,374	\$1,195,744	\$1,324,779	\$1,420,449	\$1,556,690	\$1,903,600	81%
Net	\$794	\$45,213	\$31,126	\$224,427	\$261,743	(\$82,600)	

Source: City of Greenville, Hunden Strategic Partners

As shown, the funding sources have increased significantly over time (by approximately \$4 million over the period) due to increasing hotel tax performance. However, the expenditures have increased just as quickly, especially on the General Fund, the CVB and related tourism promotion and projects. If commitments to these items are frozen or reduced, and if hotel tax revenues continue to increase (which seems very likely given the number of new hotels in process), the community could have enough proven revenue sources to fund a significant project.

What is the Required Investment?

From a very big picture perspective, the development of a convention center, parking and adjacent hotel is a large investment. The following table suggests some general costs and public investment requirements.

Table 8-2

Convention Center Complex Funding Considerations			
	Smallest CC	Small CC	Mid-Sized CC
Exhibit Space (SF)	30,000	60,000	90,000
Ballroom Space (SF)	15,000	30,000	45,000
Meeting Space (SF)	15,000	30,000	45,000
Total Net (SF)	60,000	120,000	180,000
Back of House (SF)	66,000	132,000	198,000
Gross Building Under Roof (SF)	126,000	252,000	378,000
Cost per Square Foot	\$500	\$490	\$480
Total Convention Center Cost	\$63,000,000	\$123,000,000	\$181,000,000
Structured Parking Needed			
Spaces	500	1,000	1,500
Cost per Space	\$20,000	\$20,000	\$20,000
Total Parking Cost	\$10,000,000	\$20,000,000	\$30,000,000
Hotel Needed			
Rooms	300	450	600
Cost per Room	\$250,000	\$250,000	\$250,000
Total Cost	\$75,000,000	\$112,500,000	\$150,000,000
Estimated Subsidy Needed	\$22,500,000	\$33,750,000	\$45,000,000
Total Public Funding Required*	\$95,500,000	\$176,750,000	\$256,000,000
Annual Bond Payment**	\$5,056,704	\$9,342,876	\$13,520,784
* Not including land **Assumes 3% over 30 Years Source: HSP			

The smallest convention center that could be considered within the definition of a convention center is one with 30,000 square feet of exhibit space. With the other elements required, the total square footage is nearly three acres under roof and a cost of \$63 million. Required parking adds another \$10 million and more land. Finally, a convention center will not succeed unless attached or adjacent to a large convention headquarters hotel. The cost of these is beyond what the local market will bear, so a subsidy will be required. In total, the smallest convention center complex will therefore require \$95,500,000+/- public investment. If this were to be funded over 30 years at 3.0 percent interest, the annual payment would be more than \$5 million. This size facility would not be large enough to accommodate most of the conventions and events that may want to consider Greenville.

The table also shows the larger options that move the facility toward one that could be considered appropriate for some of the larger events that large local corporations would host, as well as many other conventions. The “Small CC” column shows the minimum (and smart Phase I) size that HSP would recommend if land and funding were available. As shown, this would require a 450-room hotel and a total of more than \$175 million in public investment. The annual debt payment would be greater than \$9.3 million. Acres under roof for the center would be approximately five to six, depending on the design and vertical nature. Parking and hotel would likely consume several more acres.

Is Funding Available? Despite the increase in funding collected, large portions of each source are committed or currently allocated to projects and other initiatives. HSP’s interviews with financial representatives from the City and County suggest that there are not major revenue sources that could be dedicated to a convention center project at the level required above. Even a \$3 million annual debt payment would cause leadership to change current and future project and funding priorities, although HSP does believe current and future priorities could be realigned to free \$1 to \$3 million annually, including closing the TD Convention Center, which could save approximately \$1 million. Without reprioritizing projects and funding, available funding from existing sources is not sufficient to fund or incentivize a convention center and related hotel development in downtown Greenville. If hotel related revenue sources increase, as they have in the past five to six years, there is an opportunity to retain these new revenues for large capital projects.

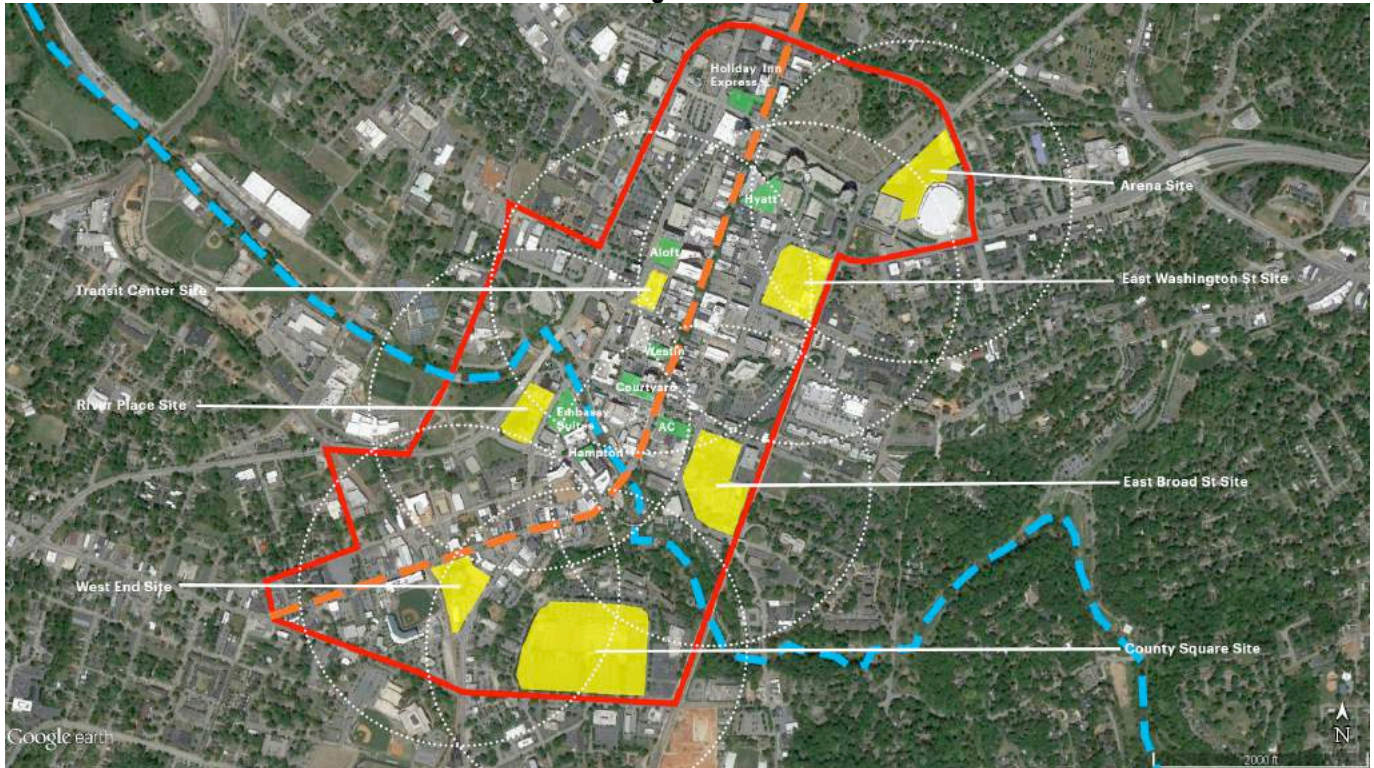
What is the Required Site?

HSP has appreciated public and civic stakeholder’s interest in finding a site that can accommodate a convention center and related parking/hotel. After reviewing the options, it is very difficult to determine a site that truly works. Convention centers do not just need a total amount of space amongst disconnected blocks, but column-free contiguous space that will space multiple block. They also require loading docks, truck access and turning radii and other items that simply require a large block of land. Certain elements can be stacked, but others cannot. Stacking is more expensive and it has been determined that excess funding is not available.

For the very smallest convention center, more than three acres are needed under roof, plus truck docks and turnaround areas, parking and hotel. For the *minimum* convention center size that would make sense for Greenville, 12+ acres are needed (assuming parking and hotel are on adjacent sites, the total acreage would approach 20 acres).

The figure below shows the sites that were considered for a convention center development.

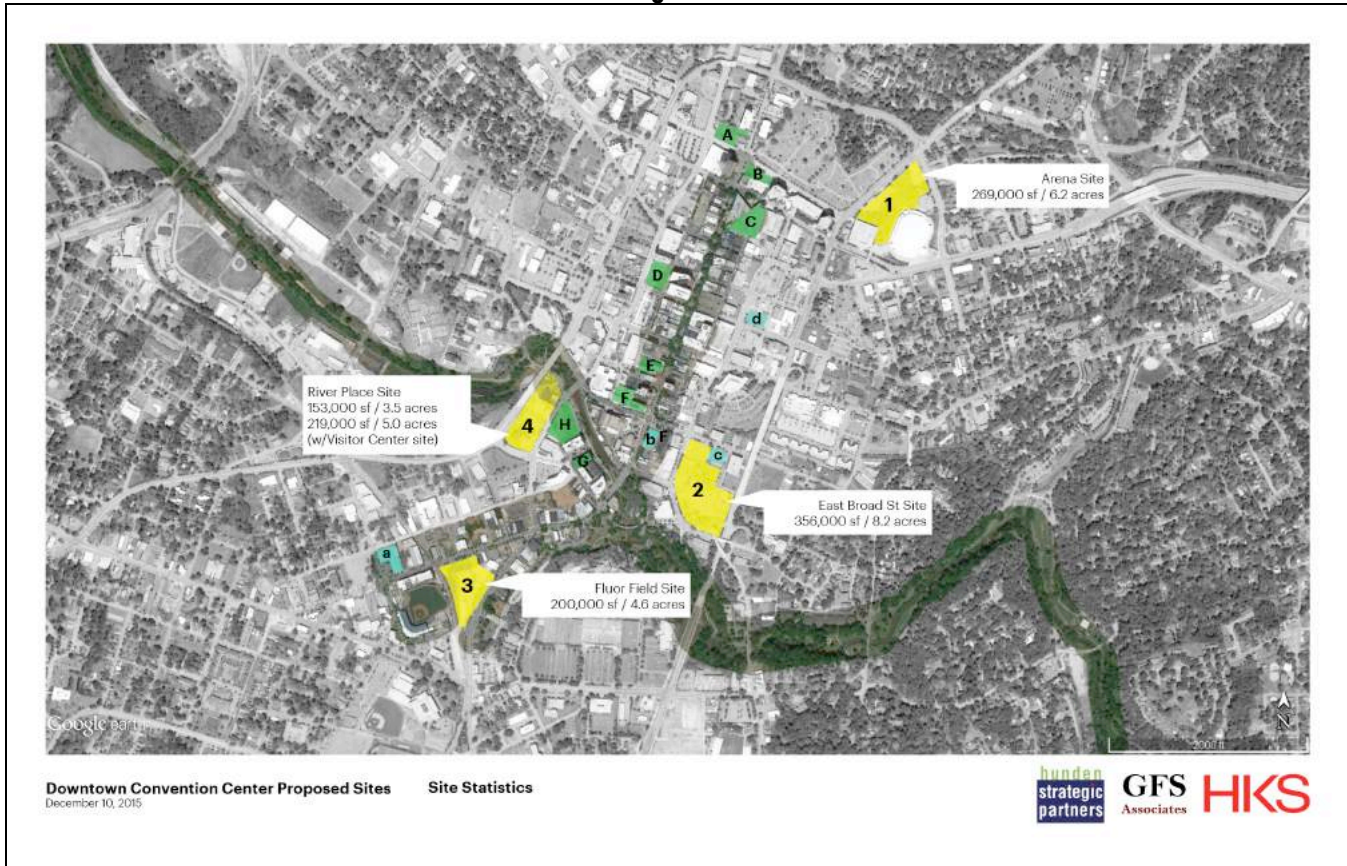
Figure 8-1



As shown, seven potential sites were considered. However, three of those sites are either extremely small or are not available (County Square site).

The next figure shows the sites that were further considered.

Figure 8-2



The next figure shows the walkable radius from each site.

Figure 8-3



Downtown Convention Center Proposed Sites **Hotels in 5-Minute Walk**
February 20, 2018

The next table provides descriptions of the size and walkable hotels from each site.

Table 8-3

Downtown Greenville Facility - Site Options						
Site	Distance from City Hall (miles)	Acreage	Square Footage	Walkable Hotels	Walkable Hotel Rooms	Suitability
1 Arena	0.8	6.20	269,000	1	328	Tight site, walkability difficult
2 E Broad Street	0.2	10.75	468,000	6	746	Requires land assemblage
3 Fluor Field	0.6	4.60	200,000	1	0	Undersized, walkability difficult
4 River Place	0.3	5.00	219,000	5	746	Tight site, constrained access

*Includes all under construction and planned hotel properties. Homewood Suites and Hyatt Place room counts TBD
Source: HKS, Hunden Strategic Partners

The East Broad Street site is the only one that comes close to having the acreage necessary for a convention center, not to mention related parking and adjacent hotel (and its parking needs, which equate to one space

per room). However, even this site is too small to be completely feasible without significant vertical construction. Even then, the potential for expansion is extremely limited, which is a long-term concern.

As a result of these site constraints, along with the lack of significant funding for a true convention facility, HSP does not recommend building a convention center in downtown Greenville.

Key Findings

Greenville has developed an incredibly compelling downtown experience that weaves in nature, active streets, restaurants, culture, businesses, event spaces and hotels. It is the sort of downtown that most cities crave. In fact, most cities invest in big-ticket assets like convention centers, performing arts centers and arenas in order to make their downtowns attractive, active and relevant. Greenville has accomplished this without building a convention center. Its constraint, though, is there is not large space to host convention and conference events that cannot fit in the Hyatt. This constraint led stakeholders to suggest the development of a convention center.

Convention Centers, by their nature, are large collections of spaces meant for hosting large events. The challenge for Greenville is that it has developed an incredibly tight urban fabric without significantly large parcels of developable land within walking distance of Main Street. Meeting planners require a large block of hotel rooms attached and within easy walking distance of the convention center. This is not a fact that can be manipulated. Therefore, the sites for a convention center must be within easy walking distance of the largest block of hotel rooms possible. In addition, a new headquarters hotel must be attached or adjacent to any convention center. This could technically be the Hyatt, but no sites exist adjacent that are large enough to hold a convention center.

The number of walkable hotel rooms required for a convention center is generally 15 per 1,000 square feet of exhibit space. For the very smallest convention center, that would require 450 rooms attached or adjacent in as few hotels as possible. This would be achievable if a site existed that could accommodate the smallest convention center. A larger convention center would need even more committable rooms in a block. Committable rooms are those that hotels can commit to a group in advance, not the total number of hotel rooms. Most hotels will not commit more than 50 percent of their total room count to a group unless the hotel is a large group-oriented hotel. This suggests that at least 900 rooms would be needed within easy walking distance of the very smallest convention center.

Based on the analysis of sites, funding requirements, hotel needs and market opportunity, HSP cannot determine a feasible future for a convention center in downtown Greenville in the immediate term. If a site can be assembled in a compelling location and funding sources can be secured, then the community could consider this project again.

Recommendations

Given that site and funding constraints exist, what is a way that Greenville can capture and expand its group meetings/convention activity? As shown in the industry trends chapter, most conventions and conferences actually take place in hotels, not in convention centers. The Hyatt in downtown Greenville is a testament to

that and has played that role for many years. The market and demand has grown beyond what it and other hotels can accommodate. There are many groups that would like to be in Greenville, but have no space that will accommodate them.

Instead of borrowing huge sums to develop a massive convention, parking and hotel structure that will actually detract from the walkable urban fabric that has been developed so successfully, **HSP recommends the development of a larger convention hotel property that includes the most compelling elements of a meeting facility, without the costs and size of an independent convention center.** In the long term, as this recommended facility is absorbed and enough land can be assembled nearby, along with funding for a large independent facility, a convention center could be developed. However, such an endeavor is likely at least ten years in the future.

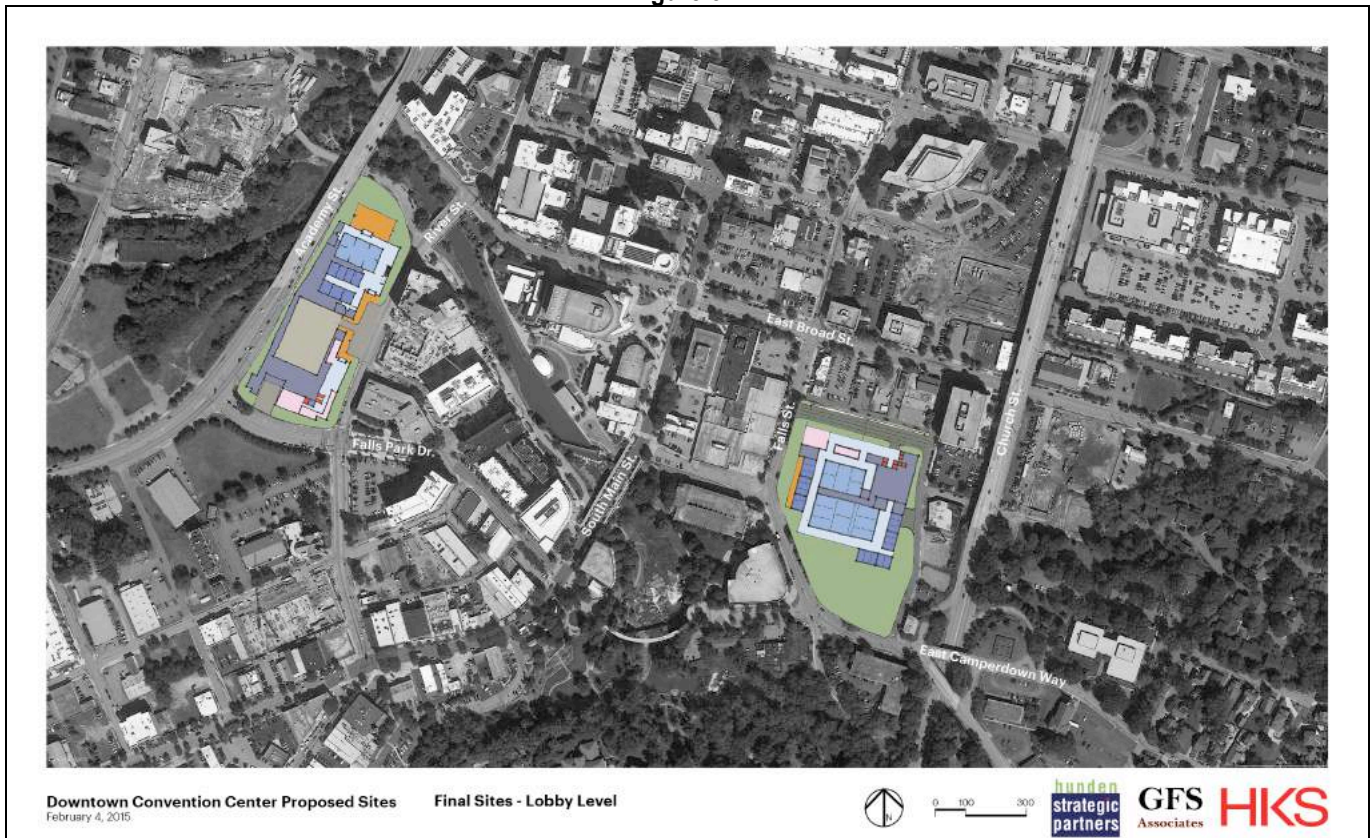
In order to move Greenville a full step beyond what the Hyatt can currently offer – and so that whatever is developed is adding to the market and not simply transferring business or competing directly with the Hyatt – HSP recommends the following convention hotel:

- 450+/- guest rooms
- Branded: Marriott, Hilton or Sheraton
- 25,000-square foot ballroom, divisible into at least five divisions. Ballroom capacity is 1,600 at round tables.
- 10,000-square foot junior ballroom, divisible into at least three divisions
- 16,000 square feet of breakout meeting rooms in 800- and 1,600-square foot modules
- One board room
- 833 parking spaces. Typically hotels require one space per room, but due to the robust size of the ballroom space, more parking is required for events.

Given the large amount of meeting and function space in this convention hotel, the cost per key will likely surpass \$300,000 per room. Total development cost will likely be \$135 million. However, the private sector can be induced to develop it with a strong incentive package. The size of that incentive package is estimated in the following chapters. The size of that incentive package is estimated to be 35 percent of the project's cost, although could be less, depending on many factors.

The following figures show the potential sites for the recommended hotel development.

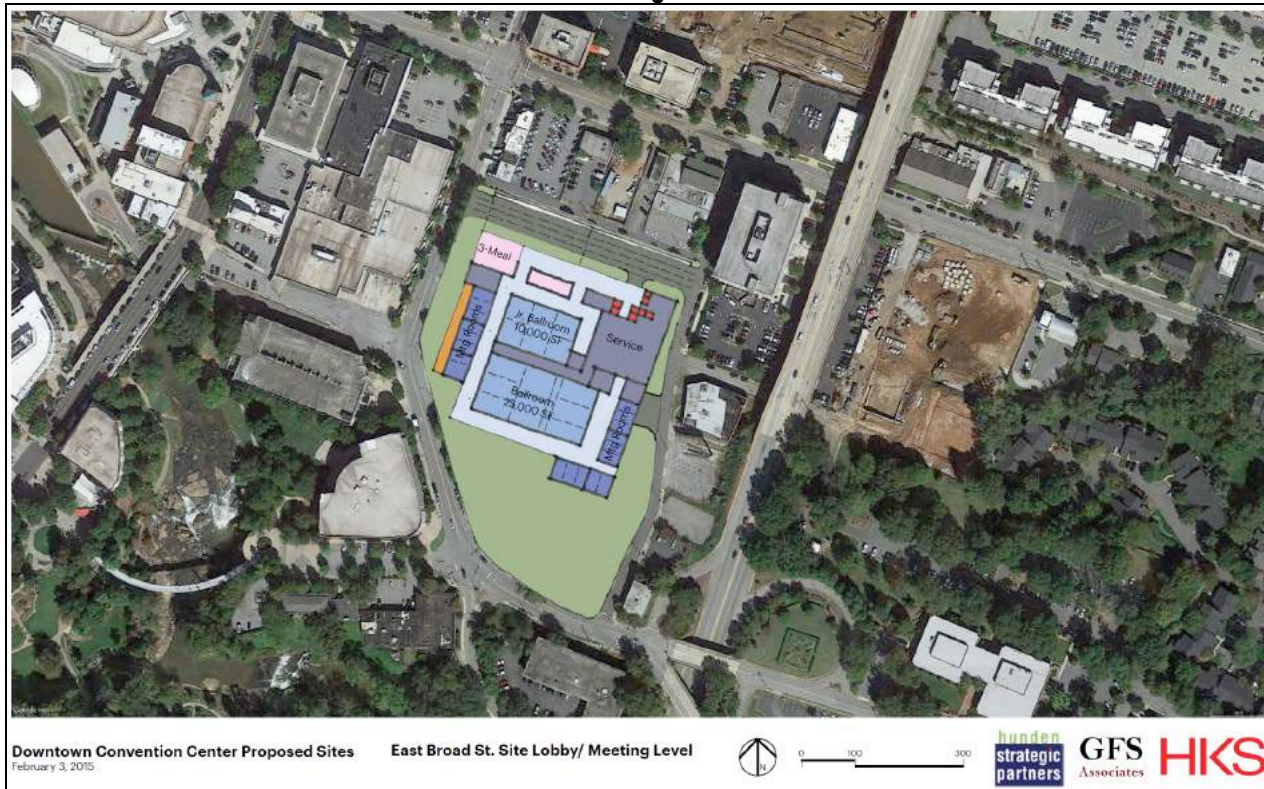
Figure 8-4



The two potential sites are the River Place site and the East Broad Street site. As shown, these sites can barely accommodate the recommended convention hotel, so considering them for a full convention center (plus hotel and parking) would not have been feasible.

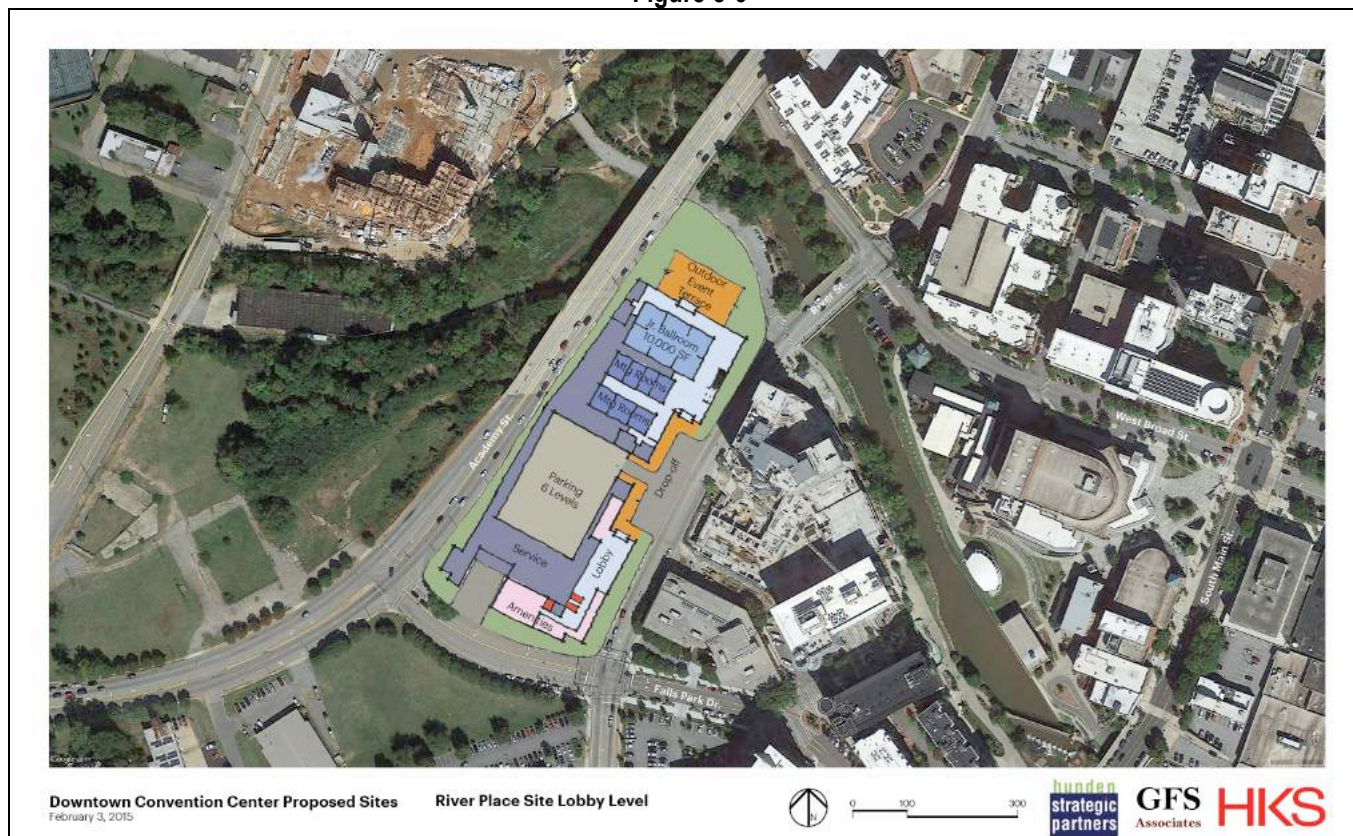
The next figure shows the layout of the hotel on the East Broad Street site.

Figure 8-5



The next figure shows a close up of the River Place site with the recommended hotel and parking.

Figure 8-6



Both sites are close enough to the balance of downtown to have a positive halo effect on downtown activity and other hotels. The function space proposed is more than typical for a convention hotel, which should allow it to be well occupied (once absorbed) and also push spillover group demand to other hotels nearby.

Timing: HSP does not recommend that this hotel open sooner than 2020. As will be shown in the projections in the next chapter, the opening of nearly 1,000 new hotel rooms in the next two years will take some time for the market to absorb. However, the process for developing a major hotel like this does take time. It will take approximately one year (or more) to attract a developer and negotiate a development agreement. Then, once funding is in place, it will take approximately 20 months to construct. Realistically, the hotel would not be able to open until 2020, given the timing between this report's delivery, selection of a developer, negotiation of a deal and construction.

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DEMAND AND FINANCIAL PROJECTIONS

For this analysis, HSP projected the performance of the recommended 450-room convention hotel. This model assumes the hotel is located downtown and has the robust amount of ballroom and meeting room space recommended.

Note: HSP does not recommend that the hotel be built immediately, due to the severe increase in downtown hotel supply already in process. Total rooms will double once all are built, likely by 2018. While this report and model assumes a 2019 opening for a new convention hotel, it is not likely that this will be the ultimate timing. More likely, the market will need to stabilize for about two years, allowing occupancy to rebound, prior to the hotel opening. Yet this model shows what would happen if the hotel was built and opened in 2019. The long-term performance is expected to be the same, however, the first two to three years of occupancy will likely suffer since the market will not have had time to recover from the doubling of supply between 2016 and 2018.

A penetration and performance analysis is shown for the recommended project.

Demand Analysis

The following tables show the estimated growth of each market segment from 2015 through 2028 for the competitive set assuming the proposed hotel opens in 2019, which is the soonest that such a project could likely be built.

Table 9-1

Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	% Change	Total Rooms	Occupancy
2015	151,751	--	45,920	--	60,492	--	258,162	--	313,955	--	860	82.2%
2016	171,478	13.0%	48,216	5.0%	65,331	8.0%	285,025	10.4%	380,555	21.2%	1,043	74.9%
2017	212,633	24.0%	57,859	20.0%	77,091	18.0%	347,583	21.9%	560,735	47.3%	1,536	62.0%
2018	253,033	19.0%	63,067	9.0%	87,113	13.0%	403,212	16.0%	702,630	25.3%	1,925	57.4%
2019	293,519	16.0%	81,356	29.0%	96,695	11.0%	471,569	17.0%	866,880	23.4%	2,375	54.4%
2020	325,806	11.0%	96,814	19.0%	103,464	7.0%	526,083	11.6%	866,880	0.0%	2,375	60.7%
2021	348,612	7.0%	103,590	7.0%	107,602	4.0%	559,805	6.4%	866,880	0.0%	2,375	64.6%
2022	362,556	4.0%	107,734	4.0%	109,754	2.0%	580,045	3.6%	866,880	0.0%	2,375	66.9%
2023	369,808	2.0%	110,966	3.0%	110,852	1.0%	591,625	2.0%	866,880	0.0%	2,375	68.2%
2024	369,808	0.0%	110,966	0.0%	110,852	0.0%	591,625	0.0%	866,880	0.0%	2,375	68.2%
2025	369,808	0.0%	110,966	0.0%	110,852	0.0%	591,625	0.0%	866,880	0.0%	2,375	68.2%
2026	369,808	0.0%	110,966	0.0%	110,852	0.0%	591,625	0.0%	866,880	0.0%	2,375	68.2%
2027	369,808	0.0%	110,966	0.0%	110,852	0.0%	591,625	0.0%	866,880	0.0%	2,375	68.2%
2028	369,808	0.0%	110,966	0.0%	110,852	0.0%	591,625	0.0%	866,880	0.0%	2,375	68.2%

Source: Hunden Strategic Partners

The proposed Project will be the largest, newest and most full-service hotel in the market. Demand is expected to continue to increase, especially once the expanded hotel opens in 2019, which will provide a high-quality option for travelers, and the only property of its size and quality, more than 100 rooms larger than the Hyatt. However, as shown, the supply of rooms is expected to double even before the proposed

convention hotel opens, which will depress occupancy. Overall market performance is expected to improve due to the hotel over the longer term, as it will induce more demand than it will take, especially in the group and leisure market. However, in the short term, the hotel and those opening before it will push occupancy lower. Group business is expected to increase even before the new hotel opens, but then will accelerate with its opening, moving total group demand from 63,000 to 110,000 room nights.

The following table shows the estimated market penetration of the proposed hotel, based on how the hotel will penetrate various markets.

Table 9-2

Estimated Market Penetration for Proposed 450-Room Hotel						
Year	Corporate Transient	Group	Leisure	Total Penetration	Projected Set Occupancy	Subject Occupancy
2019	85%	175%	40%	91%	54%	50%
2020	90%	200%	45%	101%	61%	62%
2021	90%	225%	50%	107%	65%	69%
2022	90%	225%	50%	108%	67%	72%
2023	90%	225%	50%	108%	68%	74%
2024	90%	225%	50%	108%	68%	74%
2025	90%	225%	50%	108%	68%	74%
2026	90%	225%	50%	108%	68%	74%
2027	90%	225%	50%	108%	68%	74%
2028	90%	225%	50%	108%	68%	74%

Source: Hunden Strategic Partners

The 450-room hotel is expected to have a total penetration rate of 108 percent at stabilization, due to the fact that it will be the newest hotel, the largest full-service hotel and well-located. Resulting occupancy is expected to be 74 percent at stabilization. However, if opened in 2019 before the market has stabilized from the other hotel openings, the first two years of occupancy are expected to be 50 and 62 percent, respectively.

The following tables show the estimated demand, by segment, for the proposed hotel based on the penetration rates established above.

Table 9-3

Projected Demand for Proposed 450-Room Hotel												
Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	% Change	Total Rooms	Occupancy
2019	47,272	--	26,976	--	7,328	--	81,576	--	164,250	--	450	50%
2020	55,558	17.5%	36,687	36.0%	8,822	20.4%	101,067	23.9%	164,250	0.0%	450	62%
2021	59,447	7.0%	44,162	20.4%	10,194	15.6%	113,803	12.6%	164,250	0.0%	450	69%
2022	61,825	4.0%	45,928	4.0%	10,398	2.0%	118,151	3.8%	164,250	0.0%	450	72%
2023	63,062	2.0%	47,306	3.0%	10,502	1.0%	120,870	2.3%	164,250	0.0%	450	74%
2024	63,062	0.0%	47,306	0.0%	10,502	0.0%	120,870	0.0%	164,250	0.0%	450	74%
2025	63,062	0.0%	47,306	0.0%	10,502	0.0%	120,870	0.0%	164,250	0.0%	450	74%
2026	63,062	0.0%	47,306	0.0%	10,502	0.0%	120,870	0.0%	164,250	0.0%	450	74%
2027	63,062	0.0%	47,306	0.0%	10,502	0.0%	120,870	0.0%	164,250	0.0%	450	74%
2028	63,062	0.0%	47,306	0.0%	10,502	0.0%	120,870	0.0%	164,250	0.0%	450	74%

Source: Hunden Strategic Partners

As shown, the majority of business is expected to come from corporate travelers, followed by the group segment.

The tables below show the estimated market segmentation for the proposed hotel versus the competitive set.

Table 9-4

Projected 450-Room Hotel Stabilized Demand Mix vs. Comp Set		
Segment	Hotel at Stabilization	Comp Set
Corporate	52%	63%
Group	39%	19%
Leisure	9%	19%
Total	100%	100%

Source: Hunden Strategic Partners

The hotel is expected to have higher group mix than the competitive set (39 percent versus 19 percent), with 52 percent from corporate visitors. Only nine percent of business is expected to be from the leisure market, compared with 19 percent estimated in the competitive set as a whole.

The next tables show the average daily room rate projections for the proposed hotel.

Table 9-5

Average Daily Room Rate Projections					
Year	Comp. Set ADR	Annual Increase	Hotel Rate Penetration	Projected Hotel Rate	Annual Increase
2011	\$125	20.7%	--	--	--
2012	\$136	8.8%	--	--	--
2013	\$145	6.3%	--	--	--
2014	\$160	10.4%	--	--	--
2015	\$177	11.0%	--	--	--
2016	\$183	3.0%	--	--	--
2017	\$181	-1.0%	--	--	--
2018	\$177	-2.0%	--	--	--
2019	\$175	-1.5%	114%	\$198	--
2020	\$175	0.0%	112%	\$196	-1.3%
2021	\$176	1.0%	111%	\$195	-0.2%
2022	\$180	2.0%	111%	\$199	2.0%
2023	\$184	2.5%	111%	\$204	2.4%
2024	\$189	2.5%	111%	\$209	2.5%
2025	\$194	2.5%	111%	\$215	2.5%
2026	\$199	2.5%	111%	\$220	2.5%
2027	\$204	2.5%	111%	\$225	2.5%
2028	\$209	2.5%	111%	\$231	2.5%

Source: Hunden Strategic Partners

As shown, rates in the competitive set increased from \$125 to \$177 from 2011 to 2015. HSP expects those rates to increase slightly over the next few years, but then actually decline when all of the new hotels open and occupancy declines. The pricing power will not exist under 66 percent occupancy. The new hotel's penetration rate is expected to stabilize at 111 percent, leading to an ADR beginning at \$198.

The next table shows a summary of expected performance of the hotel.

Table 9-6

Performance Projections - 450-Room Convention Hotel				
Year	Average Daily Rate	Occupancy	Revenue per Available Room	Annual Increase
Year 1	\$198	50%	\$99	--
Year 2	\$196	62%	\$121	22.3%
Year 3	\$195	69%	\$135	12.4%
Year 4	\$199	72%	\$143	5.9%
Year 5	\$204	74%	\$150	4.8%
Year 6	\$209	74%	\$154	2.5%
Year 7	\$215	74%	\$158	2.5%
Year 8	\$220	74%	\$162	2.5%
Year 9	\$225	74%	\$166	2.5%
Year 10	\$231	74%	\$170	2.5%

Source: Hunden Strategic Partners

Average daily rate is expected to increase from \$198 to \$231 over the period, while occupancy is expected to begin at 50 percent and increase to 74 percent, leading to RevPAR of \$99 in the first year, increasing to \$170 by the tenth year. As mentioned, many factors can impact performance, especially economic recessions and a collapse in a large local industry.

Financial Performance

Understanding how the hotel will perform internally is as important to the feasibility as the external occupancy and rate projections. The next table shows the performance of the proposed hotel based on a number of assumptions about the property.

The figures are shown as earned (cash basis) and in nominal amounts, not discounted. PAR stands for “per available room” and are shown on an annual basis and POR stands for “per occupied room” and are shown on a per night basis.

Table 9-7

Projection of Income & Expense: 450-Room Hotel - (in \$000, inflated)											
	Year 1				Year 2	Year 3	Year 4		Year 5		Year 10
Room Count	450				450	450	450		450		450
Available Room Nights	164,250				164,250	164,250	164,250		164,250		164,250
Occupancy Rates	50%				62%	69%	72%		74%		74%
Occupied Room Nights	81,576				101,067	113,803	118,151		120,870		120,870
Average Daily Rate	\$198				\$196	\$195	\$199		\$204		\$231
RevPAR	\$99				\$121	\$135	\$143		\$150		\$170
Percent of Change from Prior Year	--				22.3%	12.4%	5.9%		4.8%		2.5%
	\$	%	PAR	POR	\$	\$	\$	%	\$	%	
REVENUE											
Rooms	\$16,185	54.3%	\$35,968	\$198	\$19,794	\$22,241	\$23,563	54.0%	\$24,690	54.0%	\$27,935
Hotel Food and Beverage	11,531	38.7%	\$25,625	\$141	14,154	15,963	16,974	38.9%	17,786	38.9%	20,123
Telephone	24	0.1%	\$53	\$0	29	33	35	0.1%	37	0.1%	41
Other Operated Departments	857	2.9%	\$1,904	\$11	1,052	1,186	1,261	2.9%	1,321	2.9%	1,495
Parking & Transportation	747	2.5%	\$1,653	\$9	910	1,026	1,091	2.5%	1,143	2.5%	1,293
Rentals and Other Income	474	1.6%	\$1,054	\$6	582	657	698	1.6%	732	1.6%	896
Total Revenue	\$29,818	100.0%	\$66,262	\$366	\$36,521	\$41,106	\$43,621	100.0%	\$45,709	100.0%	\$51,784
DEPARTMENTAL EXPENSES											
Rooms	\$4,678	28.9%	\$10,395	\$57	\$5,325	\$5,783	\$6,126	26.0%	\$6,420	26.0%	\$7,263
Hotel Food and Beverage	7,726	67.0%	\$17,169	\$95	9,200	10,376	10,863	64.0%	11,383	64.0%	12,879
Telephone	190	800.0%	\$422	\$2	233	263	279	800.0%	293	800.0%	331
Other Operated Departments	146	17.0%	\$324	\$2	158	178	189	15.0%	198	15.0%	224
Parking & Transportation	164	17.0%	\$365	\$2	155	154	164	15.0%	171	15.0%	194
Rent and Other Income	33	7.0%	\$74	\$0	29	33	35	5.0%	37	5.0%	45
Total Departmental Expenses	\$12,936	43.4%	\$28,748	\$159	\$15,099	\$16,786	\$17,656	40.5%	\$18,502	40.5%	\$20,936
Gross Operating Income	\$16,882	57.2%	\$37,515	\$207	\$21,422	\$24,320	\$25,965	59.5%	\$27,208	59.5%	\$30,848
UNDISTRIBUTED OPERATING EXPENSES											
Administrative and General	\$3,220	10.8%	\$7,156	\$39	\$3,579	\$3,823	\$4,013	9.2%	\$4,205	9.2%	\$4,764
Marketing	\$2,833	9.5%	\$6,295	\$35	\$3,104	\$3,371	\$3,533	8.1%	\$3,702	8.1%	\$4,194
Utility Costs	\$1,908	6.4%	\$4,241	\$23	\$1,972	\$2,096	\$2,225	5.1%	\$2,331	5.1%	\$2,641
Property Operations and Maintenance	\$1,819	6.1%	\$4,042	\$22	\$1,863	\$1,973	\$2,094	4.8%	\$2,194	4.8%	\$2,486
Total Undistributed Expenses	\$9,780	32.8%	\$21,734	\$120	\$10,518	\$11,263	\$11,865	27.2%	\$12,433	27.2%	\$14,085
Gross Operating Profit	\$7,101	23.8%	\$15,781	\$87	\$10,904	\$13,057	\$14,100	32.3%	\$14,775	32.3%	\$16,762
Franchise Fees	\$1,461	4.9%	\$3,247	\$18	\$1,790	\$2,014	\$2,137	4.9%	\$2,240	4.9%	\$2,537
FIXED EXPENSES											
Property Taxes	\$270	0.9%	\$600	\$3	279	442	528	1.2%	569	1.2%	656
Insurance	447	1.5%	\$994	\$5	511	534	567	1.3%	594	1.3%	673
Management Fee	954	3.2%	\$2,120	\$12	1,169	1,315	1,396	3.2%	1,463	3.2%	1,657
Reserve for Replacement	\$298	1.0%	\$663	\$4	\$548	\$822	\$1,745	4.0%	\$1,828	4.0%	\$2,071
Total Fixed Expenses	\$1,970	6.6%	\$4,377	\$24	\$2,507	\$3,114	\$4,236	9.7%	\$4,454	9.7%	\$5,058
Cash Flow from Operations	\$3,671	12.3%	\$8,157	\$45	\$6,607	\$7,928	\$7,726	17.7%	\$8,081	17.7%	\$9,167

Source: Hunden Strategic Partners

The property is projected to generate a total of nearly \$30 million in gross revenue in the first year, increasing to nearly \$46 million in the fifth year. Approximately \$3.7 million would be available to satisfy debt and equity requirements in the first year (12.3 percent of gross revenue), increasing to \$8.1 million in the fifth year (17.7 percent of gross revenue).

Food and beverage will be a major revenue source in this hotel, as the hotel's large ballrooms generate significant catering business. While not as profitable as rooms, catering has a profit margin that is near 40 percent.

Explanation of Income and Expense Items

The estimates of income and expense statements are based on the results of operations of comparable full-service convention center urban hotels. The income for each of these years is estimated based on the expected impact that the change in occupancy and average daily room rates is expected to have on income and expenses. Expense estimates are assumed to have both fixed and variable components and vary based on projected occupancy levels.

Departmental Revenues and Expenses

Distributed Departmental Revenues and Expenses

Rooms Department: Room revenue is estimated by multiplying the occupancy rate by the average daily rate (ADR) projected in this analysis.

Rooms department expenses include payroll and related costs associated with the front desk and housekeeping, operating supplies, laundry linens, cable television, and other items necessary to maintain guest rooms.

Food and Beverage: Food and Beverage is comprised of ala carte food options available and revenues from a restaurant. In the select-service hotel, this line item is expected to be minimal, with a free continental breakfast provided and only pantry items available for sale.

Food and beverage expenses are among the highest in a hotel's departments (outside of telecommunications). Hotels with significant food and beverage business tend to have lower net profit ratios, however catering expenses are often lower than expenses in restaurants.

Telephone Department: Estimated telephone revenue is based on the experience of the similar hotel properties. The increasing use of cellular phones and expectation of free high-speed internet access has cut the gross and net revenue figures in this department across the industry in the last few years where now for every dollar spent, the hotel spends nearly eight dollars. Some hotel chains charge a flat \$10 per night fee for high-speed internet access, while others provide it gratis in select-service brands.

Other Operated Departments: This income category is typically comprised of the spa and smaller departments that generate income from activities such as valet laundry, business services, and similar others. It is figured based on a percentage of total revenue and the experiences of other select-service properties.

Rentals and Other Income: This income category is typically comprised of retail rent, interest, commissions on vending machine sales, movies, and other miscellaneous income. This income category is typically highly dependent on occupancy and has a very low expense ratio. If the hotel runs all of its retail establishments, the cost structure would increase, as would the gross revenue, although net revenue may be about the same.

Undistributed Operating Expenses

Operating expenses that are not chargeable to a particular operating department are presented as undistributed operating expenses in accordance with the Uniform System of Accounts for hotels. These expenses are discussed in the following paragraphs.

Administrative and General: This category covers expenses such as salaries and wages for management staff, bookkeeping, data processing charges, corporate office charges, office supplies, legal, accounting, allowance for bad debts, travel expenses, and similar items. General insurance (liability, business risk, etc.) is included in the Administrative and General (A&G) category. It is assumed that this expense begins as a higher percentage of gross revenue, then stabilizes by the fourth year.

Marketing Expenses: Marketing expenses include local advertising, marketing costs, the cost of printing brochures, and other related items. It is possible these figures could increase, depending upon the brand of hotel. It is assumed that this expense begins as a higher percentage of gross revenue, then stabilizes by the fourth year.

Utilities: This includes all utility expenses in the property, including electricity, gas and water. It is assumed that this expense begins as a higher percentage of gross revenue, then stabilizes by the fourth year.

Property Operations and Maintenance: Property operations and maintenance expenses include salaries and wages, employee benefits, other payroll costs, normal maintenance of the building and electrical and mechanical equipment. It is assumed that this expense begins as a higher percentage of gross revenue, then stabilizes by the fourth year.

Fixed Charges

Franchise Fees: With any major branded hotel, the fees to the brand are as much as 9.0 percent of gross rooms revenue.

Property Taxes: are estimated based on similar hotels, such as the Hyatt.

Insurance: This insurance category covers only the cost of building and contents insurance and no liability insurance. The liability insurance is found in the A&G expense.

Management Fees: This fee is assumed to be 3.2 percent.

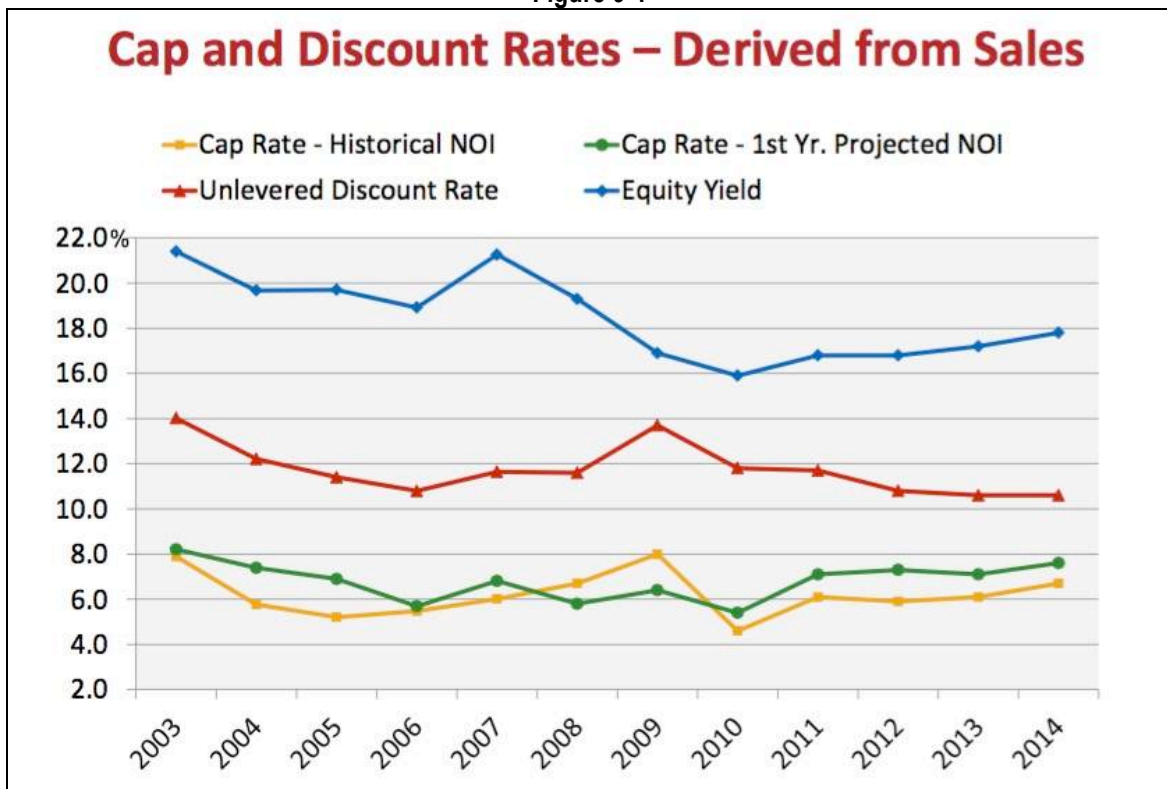
Reserve for Replacement: As is standard for income-producing properties, a reserve for replacement for furniture, fixtures, and equipment, as well as other capital items has been included in this analysis. Recent studies have indicated that, over the long-term, a minimum of four percent is required to properly maintain hotel facilities, and actual costs could be higher. HSP projects a reserve level that increases as the property ages, beginning at one percent and stabilizing at 3.5 percent.

Hotel Financing Market

In order to understand the current market for financing new hotel development, HSP reviewed the latest market statistics provided by HVS, Inc. for debt, equity, cap rates and other key metrics used to value hotel projects.

The following figure shows the cap rates, discount rates and equity yields implied from the sales of hotels from 2003 through 2014. Cap rates are a market measure of risk and reward. The higher the cap rate, the higher the implied risk and return. The discount rate is used to discount the value of future cash flows derived from a real estate project when appraisers value assets. It is essentially the time-value of money and is often approximated by using the weighted cost of capital. It can represent the opportunity cost of money for an investor ("if this investment was not made, what would the returns on other similarly risky assets be?"). The higher the discount rate, the more uncertain the future cash flows. All of these items help to value hotel assets. The source is HVS.

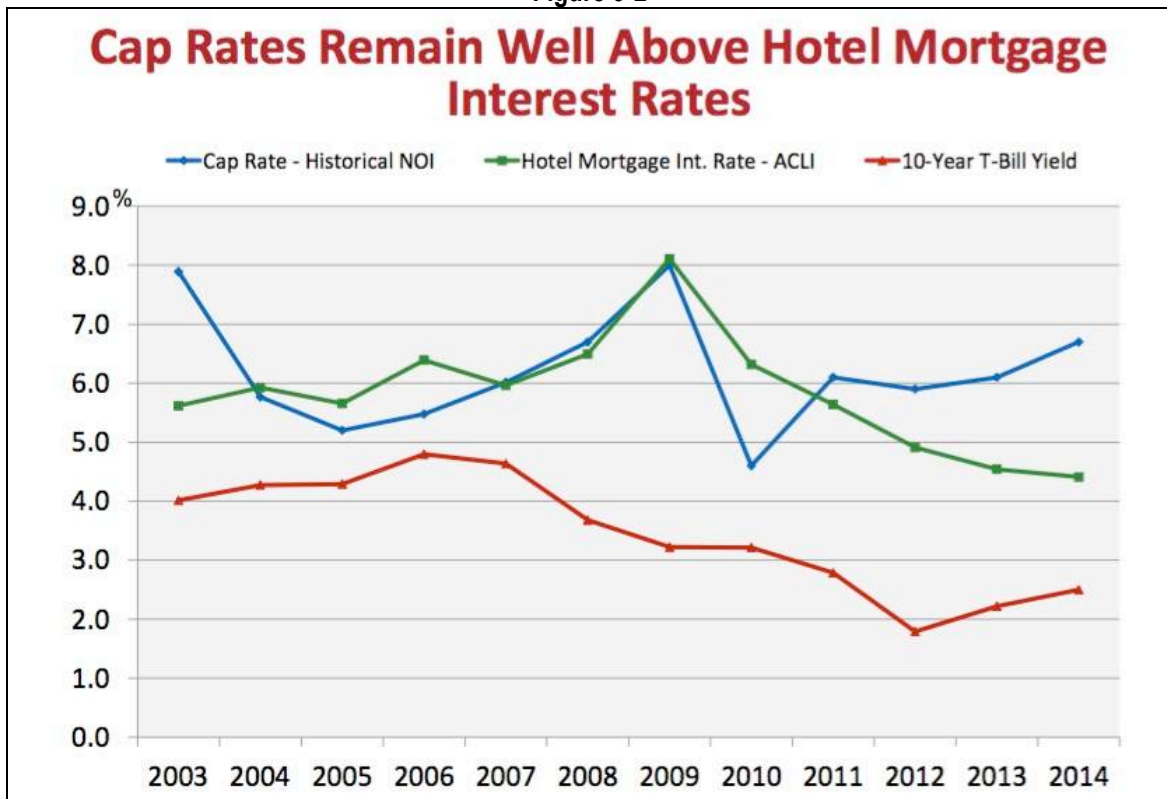
Figure 9-1



As shown, the equity yield has been increasing from a low of 16 percent in 2010 to 18 percent in 2014. This is the annual average expected return on private equity capital used in financing a hotel. The unlevered discount rate peaked briefly during the recession at 14 percent and since has been just over ten percent. The cap rate based on historical net operating income is approximately seven percent, although is approximately eight percent when using future net operating income projections.

The next figure shows cap rates, hotel mortgage interest rates and the ten-year T-Bill Yield. The ten-year T-Bill is the standard measure by which all real estate assets are measured. Since the assumed asset “holding” period in any appraisal is ten years, the ten-year Treasury Bill Yield represents the safest assumed investment one could make. Relative to real estate, it is the least risky and has the lowest return and serves as a bottom benchmark for return. The riskier the real estate, the higher the cap rate and interest rates will be above the ten-year T-Bill. The source is HVS.

Figure 9-2



As shown, the cap rates have been higher than the mortgage interest rate since 2011. This suggests that one can borrow money at a lower rate for an asset than its implied return. That positive arbitrage indicates that the basic fundamentals of hotels are positive for investment. When it costs more to borrow money than the implied risk/return indicated by the cap rate, the math for investors is more difficult to support. Perhaps as important is the spread between the ten-year T-Bill and the cap rate. In 2014, this spread was more than 400 basis points (4.0 percentage points), suggesting that there is substantial yield to be gained from a hotel asset versus investing in T-Bills, which returned only 2.5 percent at that time. The tightening of interest rates to the ten-year T-Bill means that investors can borrow at lower and lower rates relative to the lowest possible rate and still make increasing yield. For the lay person, these figure suggest a very strong incentive to invest in hotels, especially compared with the period 2005 through 2010.

The next figure shows the overall return on investment of various real estate classes. The source is HVS.

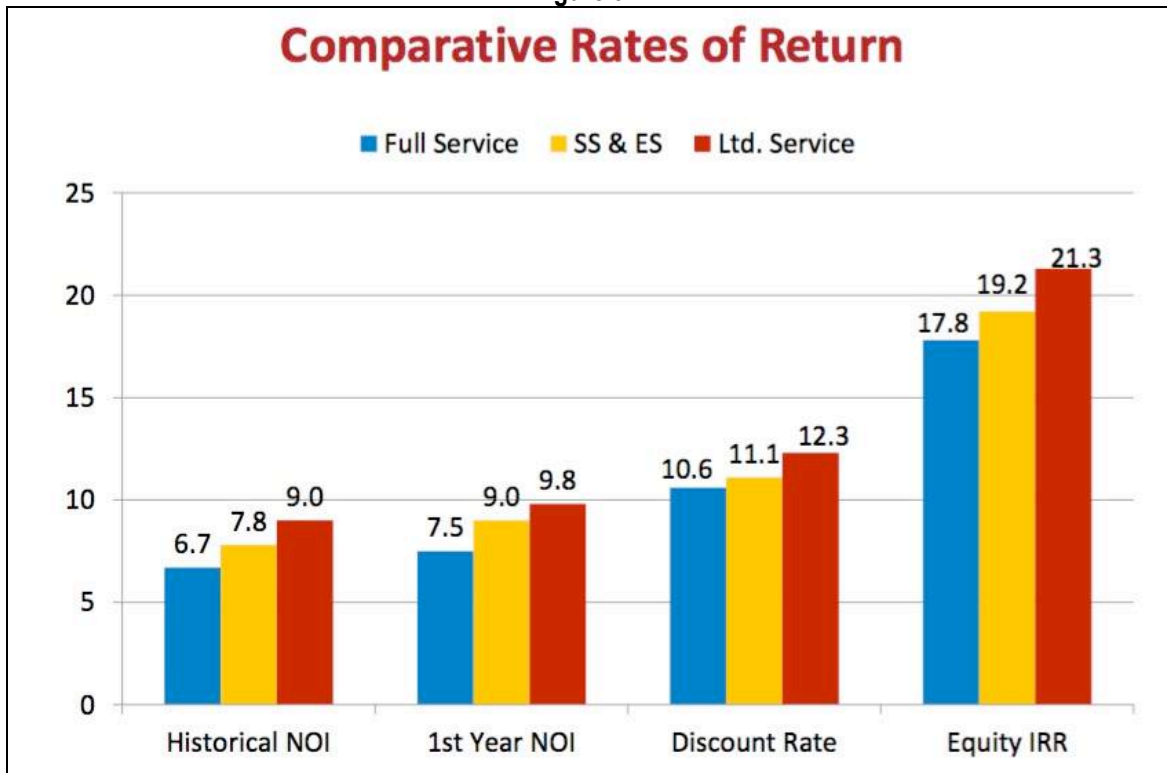
Figure 9-3



Hotels have always been considered to be the riskiest asset class, as they have to lease all of their space every day of the year. There are no long-term leases like in apartments, office buildings, retail, etc. Yet this risk also provides higher rates of return, as hotels can capitalize on markets when they are strong, raising rates on a daily basis in response to market conditions. As shown, the return on investment is highest for limited service hotels at nine percent, followed by select service at 8.2 percent, then full-service hotels at 7.8 percent. In contrast, apartments returned less than 5.5 percent, which is not a substantial premium over the ten-year T-Bill rate, which has been moving between 1.9 and 2.5 percent.

The next figure breaks down rates of return and discount rates for hotels by type, from full service to limited service. SS and ES stand for select service and extended stay, respectively. The source is HVS.

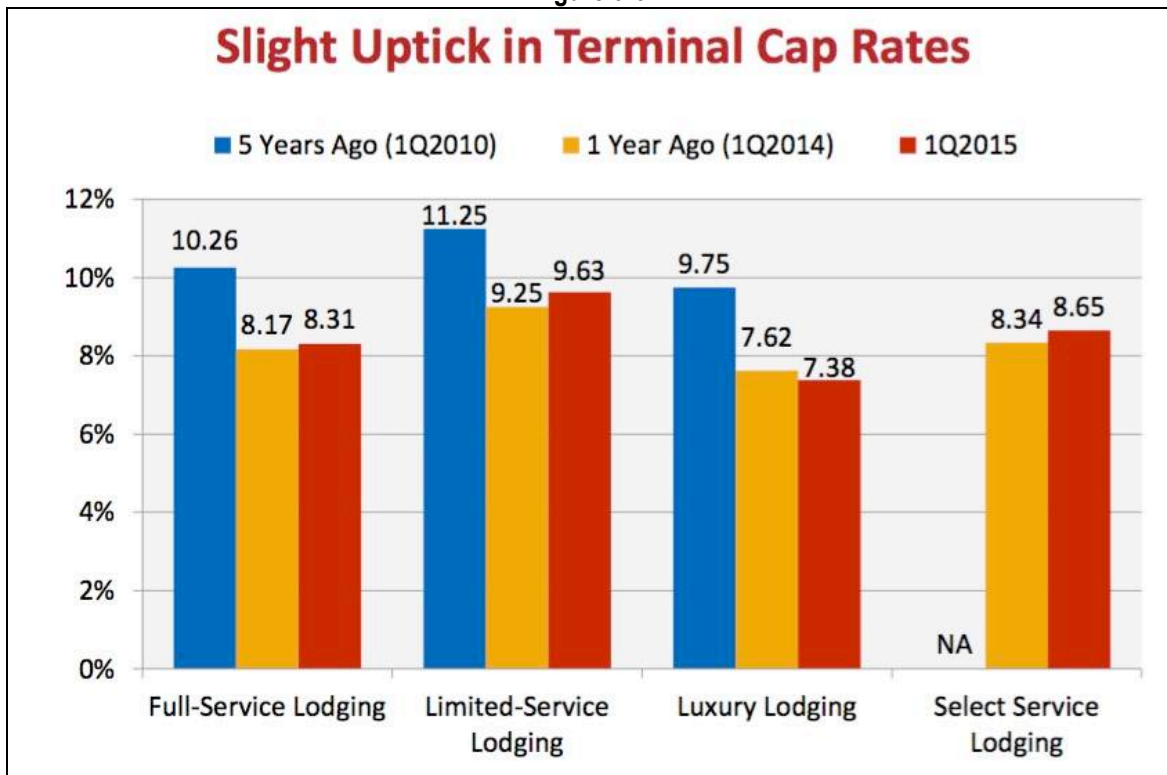
Figure 9-4



Full service hotels have the lowest rates of return and discount rates. Because full service hotels have many elements that are not profitable or have lower profitability than pure rooms-only hotels (rooms have a profit ratio of 75 percent, the highest component of a hotel), the income from a full-service hotel is smaller relative to the cost and to gross revenue. However, because such hotels are more difficult to build, there are high barriers to entry. There is less risk that one will be built nearby, which protects their market position.

The next table shows the terminal cap rates for various types of hotels. This is important for appraised values, which banks use to value hotel projects. The source is HVS.

Figure 9-5



The terminal cap rate helps determine the final sales price of an asset in the future. For example, if a hotel is generating \$1 million in net operating income when the valuation period terminates (after year ten in an appraisal), then the appraiser/banker will imply the sales price by dividing the NOI by the terminal cap rate. If the cap rate is 8.31 percent, as shown for full service hotels in 2015, then the terminal value is \$12.034 million (\$1 million divided by .0831).

Supportable Equity and Debt

The cash flows of a hotel are used to repay bank loans and investor equity. Banks have a variety of rules or guidelines for providing loans for hotels and these vary from year to year, from cycle to cycle. Currently, these guidelines are slowly becoming less stringent than they were over the past few years. Many banks had bad hotel loans on their books and so are not anxious to repeat history with new, risky loans. As such, the loan-to-value amounts were reduced, coverage ratios increased and required equity increased. The hotels must be branded in order to receive a loan. These restrictions have moderated as the industry has become healthy again.

The model used by HSP assumes the following:

- 1.4x minimum debt service coverage in every year beginning in Year 2.
- No more than 75 percent loan to cost.

- Loan interest rate of 4.8 percent based on excellent borrower credit.
- Refinance after stabilization at 500 basis points lower than the construction loan.
- Construction mini-perm upfront, which funds construction for up to two years and the first three years of operations (construction should take no more than 24 months).
- Equity required return of 18 percent averaged over ten years.

The supportable equity and debt is shown in the table below.

Table 9-8

Financing Assumptions

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	\$0	\$0	\$3,671	\$6,607	\$7,928	\$7,726	\$8,081	\$8,307	\$8,513	\$8,725	\$8,879	\$9,167
Interest and Debt Reserve W/D	\$816	\$2,448	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service Payment	(\$816)	(\$2,448)	(\$4,729)	(\$4,729)	(\$4,729)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)
Net Income to Repay Equity	\$0	\$0	(\$1,058)	\$1,879	\$3,200	\$3,539	\$3,893	\$4,120	\$4,325	\$4,537	\$4,692	\$4,980
Princ. Amount***	\$17,000	\$51,000	\$68,000	\$66,535	\$65,001	\$63,390	\$61,928	\$60,404	\$58,814	\$57,155	\$55,426	\$53,622
Interest	\$816	\$2,448	\$3,264	\$3,194	\$3,120	\$2,726	\$2,663	\$2,597	\$2,529	\$2,458	\$2,383	\$2,306
Less Payment	(\$816)	(\$2,448)	(\$4,729)	(\$4,729)	(\$4,729)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)	(\$4,187)
Loan Balance	\$17,000	\$51,000	\$66,535	\$65,001	\$63,392	\$61,928	\$60,404	\$58,814	\$57,155	\$55,426	\$53,622	\$51,740
Assumptions												
Loan Amount (\$000's)	\$68,000											
Amortization Period (Years)	25											
Loan Interest Rate	4.8%											
Annual Debt Service Payment (\$000's)	(\$4,729)											
Equity:												
Developer's Equity (\$000's)	\$20,000	15%										
Private Debt	\$68,000	50%										
Total Private Financing	\$88,000	65%	\$195,556	per room								
Gap/Subsidy	\$47,000	35%										
Project Amount (\$000's)	\$135,000	100%	\$300,000	per room								
Debt (Private) Coverage Ratio			0.78	1.40	1.68	1.85	1.93	1.98	2.03	2.08	2.12	2.19
Return on Private Equity*			-5.3%	9.4%	16.0%	17.7%	19.5%	20.6%	21.6%	22.7%	23.5%	24.9%
Return on Assets**			2.7%	4.9%	5.9%	5.7%	6.0%	6.2%	6.3%	6.5%	6.6%	6.8%
*On developer's equity only.												
**On project cost.												
***Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2												
Source: Hunden Strategic Partners												

In this model, the supportable project cost is \$196,000 per room or approximately \$88 million. Supportable debt is \$68 million, or 50 percent of project cost, assumed to be \$135 million. Supportable equity is \$20 million, unless the developer is willing to take less than a 15 percent return, in which case it could increase.

There is a financing gap for this hotel of \$47 million, or 35 percent of cost. The public sector would likely need to assist a developer with this gap.

HSP also considered how an appraiser would appraise the finished project on a discounted cash flow (aka "income") basis. The present value of all future cash flows, including a sale after the tenth year, are totaled to get the present value. The discount rate is the weighted cost of capital used in the prior analysis.

Table 9-9

Hotel Value Analysis												
Calendar Year	Construction		Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
	Year 1	Year 2										
Net Cash Flow	\$0	\$0	\$3,671	\$6,607	\$7,928	\$7,726	\$8,081	\$8,307	\$8,513	\$8,725	\$8,879	\$9,167

Based on this valuation analysis, the hotel's value using the assumptions in the model is approximately \$75 million. This is lower than the supportable debt and equity amount.

The project is an economic development project for the city and county and will induce group and event activity to the community (as well as their spending) that does not exist today. However, in order to achieve that result, significant public investment will likely be required. However, the investment needed is much lower than if the community decided to build a convention center and induce a convention hotel.

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ECONOMIC, FISCAL & EMPLOYMENT IMPACT ANALYSIS

The incremental impact of the recommended Project, which includes the convention hotel and spin-off spending from new and recaptured visitors, will increase economic activity and will result in higher fiscal activity, income and employment for the Greenville economy.

HSP uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the Greenville economy due to additional inputs. For example, for every dollar of direct new spending in Greenville, the IMPLAN model provides multipliers for the indirect and induced spending that will result.

The net new and recaptured direct spending discussed earlier in the chapter is considered to be the **Direct Impact**.

From the direct spending figures, further impact analyses will be completed.

- **Indirect Impacts** are the supply of goods and services resulting from the initial direct spending. For example, a convention attendee's direct expenditure on a hotel room causes the hotel to purchase linens and other items from suppliers. The portion of these hotel purchases that are within the local economy is considered an indirect economic impact.
- **Induced Impacts** embody the change in local spending due to the personal expenditures by employees whose incomes are affected by direct and indirect spending. For example, a waitress at a restaurant may have more personal income as a result of the convention attendee's visit. The amount of the increased income that the employee spends in the area is considered an induced impact.
- **Fiscal Impacts** represent the incremental tax revenue collected by the community due to the net new economic activity. The fiscal impact represents the government's share of total economic benefit. Fiscal impacts provide an offset to the potential public expenditures required to support the development.
- **Employment Impacts** include the incremental employment provided not only onsite, but due to the spending associated with it. For example, the direct, indirect and induced impacts generate spending, support new and ongoing businesses and ultimately result in ongoing employment for citizens. HSP will show the number of ongoing jobs supported by the project and provide the resulting income and income taxes generated.

There are a variety of impacts to Greenville from the Project, including increases in existing visitor spending due to better facilities, new group attendee spending, new exhibitor spending, new corporate transient spending and new leisure spending.

New and Recaptured Visitation Due to the Project

The following table summarizes the daytrip and overnight visitor activity expected over ten years.

Table 10-1

Net New Visitors and Room Nights							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total
New Daytrip Visitor Days	37,886	56,850	66,767	70,846	75,336	75,336	684,368
New Overnight Visitor Days	63,143	94,750	111,279	118,077	125,561	125,561	1,140,613
New Hotel Room Nights	49,030	72,360	85,116	89,805	95,646	95,646	870,191
Source: Hunden Strategic Partners							

As shown, over ten years, nearly 700,000 daytrippers and 1.1 million overnights are expected to be new to Greenville. New room nights from the overnights are projected to total more than 870,000. Hotel room nights will be generated for the new hotel as well as for the other hotels in the market.

Net New and Recaptured Room Nights and Room Revenue

The table on the following page shows the room rates for each market segment and the resulting new revenue to Greenville from the new room nights.

Table 10-2

Projection of Room Revenue from Induced/Recaptured Room Nights										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Corp Transient Rate	\$235	\$235	\$237	\$242	\$248	\$254	\$260	\$267	\$273	\$280
Corp Transient Net New Revenue (000s)	\$6,172	\$7,680	\$9,056	\$9,262	\$10,122	\$10,375	\$10,634	\$10,900	\$11,172	\$11,452
Group Rate	\$149	\$149	\$150	\$153	\$157	\$161	\$165	\$169	\$173	\$178
Group Net New Revenue (000s)	\$2,664	\$4,916	\$5,962	\$6,703	\$7,367	\$7,552	\$7,740	\$7,934	\$8,132	\$8,335
Leisure Rate	\$149	\$149	\$150	\$153	\$157	\$161	\$165	\$169	\$173	\$178
Leisure Net New Revenue (000s)	\$705	\$963	\$1,066	\$1,167	\$1,218	\$1,248	\$1,279	\$1,311	\$1,344	\$1,378
Total Room Revenue from Induced Rooms	\$9,541	\$13,558	\$16,084	\$17,132	\$18,707	\$19,174	\$19,654	\$20,145	\$20,649	\$21,165
Source: Hunden Strategic Partners										

The average daily rates range from \$149 to \$235 in the first year and when multiplied by the new room nights for each segment total approximately \$9.5 million in the first year, increasing to more than \$21 million in the tenth year.

The next table shows the projected incremental revenue from the difference in the room rate guests were paying previously and the rate they will pay at the Project, as the quality differential will induce higher spending for existing visitors.

Table 10-3

Projection of Room Revenue from Incremental Spending on Existing Room Nights										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Hotel Corp Transient Rate	\$235	\$235	\$237	\$242	\$248	\$254	\$260	\$267	\$273	\$280
Market Corp Transient Rate	\$204	\$204	\$206	\$210	\$215	\$221	\$226	\$232	\$238	\$244
Difference	\$31	\$31	\$31	\$32	\$32	\$33	\$34	\$35	\$36	\$37
Corp Transient Net New Revenue (000s)	\$641	\$698	\$655	\$740	\$717	\$735	\$753	\$772	\$791	\$811
Hotel Group Rate	\$149	\$149	\$150	\$153	\$157	\$161	\$165	\$169	\$173	\$178
Market Group Rate	\$132	\$132	\$133	\$136	\$139	\$142	\$146	\$150	\$153	\$157
Difference	\$17	\$17	\$17	\$18	\$18	\$19	\$19	\$19	\$20	\$20
Group Net New Revenue (000s)	\$155	\$62	\$77	\$38	\$7	\$7	\$7	\$7	\$7	\$7
Hotel Leisure Rate	\$149	\$149	\$150	\$153	\$157	\$161	\$165	\$169	\$173	\$178
Market Leisure Rate	\$134	\$134	\$135	\$138	\$141	\$145	\$149	\$152	\$156	\$160
Difference	\$15	\$15	\$15	\$15	\$16	\$16	\$16	\$17	\$17	\$18
Leisure Net New Revenue (000s)	\$37	\$34	\$45	\$41	\$42	\$43	\$44	\$45	\$46	\$47
Total Incremental Spend on Existing Rooms (000s)	\$833	\$793	\$777	\$819	\$765	\$784	\$804	\$824	\$844	\$865

Source: Hunden Strategic Partners

The difference in the Project's rates per segment and the competitive set rate ranges from \$15 to \$31. Corporate rates are highest and have the highest increment. When multiplying the existing room nights by the incremental spending amounts, the total room revenue ranges from approximately \$777,000 to \$865,000 annually over the period. The amount of room nights occupied that are considered to be "existing" decreases over time as growth in the market accounts for most of the new hotel revenue.

There will also be daytrippers who come to events at the hotel such as conferences, meetings, banquets and receptions. There are also many local corporate events that will be attended by local employees.

The daily spending by visitors and the overnight spending by overnight visitors all contribute to the economic impact of the Project. Spending by category, conservatively estimated based on a number of inputs, was populated in the model. Other spending includes entertainment, such as concerts and tours, as well as other non-specified spending. These are shown in the next table.

Table 10-4

Estimated Spending Per Visitor per Day										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Spending per New Visitor - Overnight										
Onsite Food & Beverage (New)	\$26.50	\$27.30	\$28.11	\$28.96	\$29.83	\$30.72	\$31.64	\$32.59	\$33.57	\$34.58
Offsite Food & Beverage	\$31.80	\$32.75	\$33.74	\$34.75	\$35.79	\$36.86	\$37.97	\$39.11	\$40.28	\$41.49
Total Food & Beverage	\$58.30	\$60.05	\$61.85	\$63.71	\$65.62	\$67.59	\$69.61	\$71.70	\$73.85	\$76.07
Lodging Spending	\$141.72	\$145.97	\$150.35	\$154.86	\$159.51	\$164.29	\$169.22	\$174.30	\$179.53	\$184.91
Retail Spending	\$9.44	\$9.72	\$10.01	\$10.32	\$10.62	\$10.94	\$11.27	\$11.61	\$11.96	\$12.32
Transportation Spending	\$6.47	\$6.66	\$6.86	\$7.07	\$7.28	\$7.50	\$7.73	\$7.96	\$8.20	\$8.44
Other Spending	\$4.76	\$4.90	\$5.05	\$5.20	\$5.36	\$5.52	\$5.68	\$5.85	\$6.03	\$6.21
Total Direct Spending	\$220.69	\$227.31	\$234.13	\$241.15	\$248.39	\$255.84	\$263.52	\$271.42	\$279.56	\$287.95
Spending per Visitor - Day Trip										
Onsite Food & Beverage	\$18.55	\$19.11	\$19.68	\$20.27	\$20.88	\$21.50	\$22.15	\$22.81	\$23.50	\$24.20
Offsite Food & Beverage	\$15.90	\$16.38	\$16.87	\$17.37	\$17.90	\$18.43	\$18.99	\$19.55	\$20.14	\$20.75
Total Food & Beverage	\$34.45	\$35.48	\$36.55	\$37.64	\$38.77	\$39.94	\$41.14	\$42.37	\$43.64	\$44.95
Retail Spending	\$5.66	\$5.83	\$6.01	\$6.19	\$6.37	\$6.57	\$6.76	\$6.97	\$7.17	\$7.39
Transportation Spending	\$5.82	\$6.00	\$6.18	\$6.36	\$6.55	\$6.75	\$6.95	\$7.16	\$7.38	\$7.60
Other Spending	\$2.86	\$2.94	\$3.03	\$3.12	\$3.21	\$3.31	\$3.41	\$3.51	\$3.62	\$3.73
Total Direct Spending	\$48.79	\$50.26	\$51.76	\$53.32	\$54.92	\$56.56	\$58.26	\$60.01	\$61.81	\$63.66

Source: HSP

The per-person per-day spending for overnight guests totals nearly \$221 in Year 1 and increases with inflation, assumed at 2.5 percent. The daily spending per person for day trips is nearly \$49 in the first year.

Direct, Indirect and Induced Impacts

The table below shows the direct net new spending, based on the analysis.

Table 10-5

Direct Net New/Recaptured Spending to Greenville (000s)							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total
Food & Beverage	\$4,986	\$7,707	\$9,323	\$10,189	\$11,160	\$12,938	\$104,393
Lodging	\$10,374	\$14,352	\$16,861	\$17,951	\$19,471	\$22,030	\$183,916
Retail	\$811	\$1,253	\$1,516	\$1,656	\$1,814	\$2,103	\$16,971
Transportation	\$629	\$972	\$1,176	\$1,286	\$1,408	\$1,632	\$13,171
Other	\$409	\$632	\$764	\$835	\$915	\$1,061	\$8,558
Total	\$17,209	\$24,916	\$29,640	\$31,917	\$34,769	\$39,764	\$327,009

Source: Hunden Strategic Partners

Spending on lodging is the largest component of direct net new spending to Greenville, followed by food and beverage spending. The other spending components are minimal by comparison. By Year 4, the new

spending is projected to be more than \$31 million. Over the ten-year period, a total of more than \$327 million in direct net new/recaptured Greenville spending is projected from the Project.

The next table shows the direct, indirect and induced spending from the Project, based on the IMPLAN multipliers.

Table 10-6

Direct, Indirect & Induced Net New Spending to Greenville (000s)							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total
Net New Spending							
Direct	\$17,209	\$24,916	\$29,640	\$31,917	\$34,769	\$39,764	\$327,009
Indirect	\$5,165	\$7,462	\$8,871	\$9,547	\$10,398	\$11,886	\$97,819
Induced	\$3,620	\$5,271	\$6,280	\$6,772	\$7,381	\$8,452	\$69,385
<i>Total</i>	<i>\$25,995</i>	<i>\$37,649</i>	<i>\$44,792</i>	<i>\$48,237</i>	<i>\$52,548</i>	<i>\$60,102</i>	<i>\$494,213</i>

Source: Hunden Strategic Partners

The direct spending totals more than \$327 million over the period (as shown in the prior table), while the indirect and induced spending add another \$98 and \$69 million, respectively. In total, \$494 million in economic impact is projected from the new and recaptured spending.

The following table shows the new earnings associated with the new economic activity.

Table 10-7

Net New Earnings from Direct, Indirect & Induced Spending (000s)							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total
Net New Earnings							
From Direct	\$5,848	\$8,536	\$10,176	\$10,979	\$11,968	\$13,712	\$112,483
From Indirect	\$1,684	\$2,433	\$2,892	\$3,113	\$3,390	\$3,875	\$31,889
From Induced	\$1,107	\$1,611	\$1,920	\$2,070	\$2,256	\$2,583	\$21,208
<i>Total</i>	<i>\$8,639</i>	<i>\$12,580</i>	<i>\$14,988</i>	<i>\$16,161</i>	<i>\$17,614</i>	<i>\$20,170</i>	<i>\$165,580</i>

Source: Hunden Strategic Partners

By the fifth year of operation, more than \$17.6 million of new direct, indirect, and induced earnings are projected, with a total of more than \$165 million over the ten-year period.

The table below shows the estimated full-time equivalent jobs created by the Project.

Table 10-8

Net New Full-Time Equivalent Jobs from Direct, Indirect & Induced Earnings (000s)						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Net New FTE Jobs						
From Direct	160	219	251	260	274	269
From Indirect	50	69	79	82	86	84
From Induced	31	42	49	50	53	52
Total	241	330	378	392	414	406

Source: Hunden Strategic Partners

New full-time equivalent jobs (FTE's) are projected to vary over the period based on the net new spending and total 414 by the fifth year.

Fiscal Impact

The fiscal impact of the Project is the benefit to the community via taxes generated, essentially through new hotel occupancy food and beverage taxes. The property tax for the hotel will be large, but will be assumed to be rebated back to the developer to assist in the funding for the Project.

The following table shows the projections of new taxes over the first ten years of operation.

Table 10-9

Fiscal Impact - Greenville Tax Impacts from Net New Spending (000s)							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Total
Local Taxes Collected							
City Hospitality Tax - F&B (2%)	\$100	\$154	\$186	\$204	\$223	\$259	\$2,088
City Accommodations Tax (3%)	\$311	\$431	\$506	\$539	\$584	\$661	\$5,517
State Hospitality Tax to Local (2%)	\$207	\$287	\$337	\$359	\$389	\$441	\$3,678
Total	\$618	\$872	\$1,030	\$1,101	\$1,197	\$1,360	\$11,284

Source: Hunden Strategic Partners

In total, these taxes are expected to garner \$1 million more per year after the third year of operation and 11.3 million during the first ten-year period.

Construction Impact

The one-time construction of the Project will impact the City of Greenville as spending will occur via the purchase of materials (40 percent of the budget) and the payment of labor and service providers (60 percent of the budget). It is assumed that the total investment will be \$135 million for the convention hotel.

The net Greenville impacts are shown below for the construction impact.

Table 10-10

Hotel Construction Impact	
	Impact
Direct Materials Spending	\$ 54,000,000
Indirect Spending	\$ 16,740,000
Induced Spending	\$ -
Total	\$ 70,740,000
Direct Labor Spending	\$ 81,000,000
Employment (Job Years)	1,500
Source: Hunden Strategic Partners	

Materials spending in Greenville is estimated to total \$71 million in direct, indirect and induced spending. The direct labor spending is approximately \$81 million and would support 1,500 job-years (one construction job for one year).

The following table shows the summary of estimated ten-year impacts for the Project.

Table 10-11

Summary of 10-Year Impacts	
Net New Spending	(millions)
Direct	\$327
Indirect	\$98
Induced	\$69
Total	\$494
Net New Earnings	(millions)
From Direct	\$112
From Indirect	\$32
From Induced	\$21
Total	\$166
Net New FTE Jobs	Actual
From Direct	269
From Indirect	84
From Induced	52
Total	406
Local Taxes Collected	(millions)
City Hospitality Tax - F&B (2%)	\$2.1
City Accommodations Tax (3%)	\$5.5
State Hospitality Tax to Local (2%)	\$3.7
Total	\$11.3
Construction Impact	(millions)
New Materials Spending	\$70.7
New Labor Spending	\$81.0
Job-Years, Actual	1,500

Source: Hunden Strategic Partners

The net new spending for the Project totals \$494 million over the period, \$166 million in new earnings, 406 new full-time equivalent jobs and nearly \$9.2 million in new taxes collected from the ongoing spending over 30 years. The construction impact will be more than \$151 million on materials and labor, most of which will accrue to the local economy and local workers. The 1,500 job-years will be a temporary boon for the local economy.